



ANNUAL REPORT 2020



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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.

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 holds the air traffic management (ATM)/air traffic navigation services (ANS) licence, specifically for the provision of air traffic services (ATS), air traffic flow management (ATFM), air space management (ASM), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS). The Company consistently maintains the required technical and operational capacity and know-how for air traffic management and 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 certificate for air traffic controller training organisation and for maintaining air traffic controller qualifications. Training and maintaining qualifications of all operational personnel of a provider of air traffic management services (ATM)/air navigation services (ANS) is provided in the scope of this training organisation.

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 traffic management (ATM) / air navigation services (ANS) i.e. 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 from 2019, 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.

Changed circumstances arising from the negative impact of the outbreak of coronavirus disease (COVID-19) on the global economy in 2020 and thus on the volume of air traffic as a result of the declined demand and direct measures taken by EU member states and third countries to contain the outbreak of the pandemic, have a significant impact on the procedures and measures aimed at implementing performance and charging scheme in the third reference period 2020 – 2024, including the setting of performance targets and unit rates and the use of incentive systems and risk-sharing mechanisms, and have therefore called for provisional emergency measures. The European Commission adopted Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020 – 2024) of the single European sky performance and charging scheme due to the COVID-19 pandemic (OJ L 366, 4 November 2020, p. 7) (hereinafter referred to as Commission Implementing Regulation 2020/1627/EU). With that Regulation, the European Commission adopted a provisionally amended legal framework for the third reference period, which takes into account the emergency situation in the aviation sector. This amendment will also lead to changes as regards setting binding (and other) performance targets, which will be adopted by the European Commission by 1 May 2021 and which will dictate the preparation of a new draft Performance Plan 2020 – 2024 by the end of 2021 for the Republic of Slovenia, and the appropriate adjustment of the Company's business plan for 2022 – 2024.

In the circumstances prior to the coronavirus outbreak, the business plan showed the sufficiency of financial and administrative resources (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 and airspace management services, as well as the potential effect on charges 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 and 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 period of changed circumstances due to the coronavirus disease (COVID-19) in 2020 and 2021, the financial resources arising from the activity are no longer sufficient, so the Company has to resort to suitable loans to provide adequate liquidity and financial strength to achieve strategic goals in the said period.

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. According to 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 (UL L 56, 25 February 2019, p. 1) (hereinafter referred to as: Commission Implementing Regulation 2019/317/EU) a draft Performance Plan 2020 – 2024 was prepared in 2019 for the Republic of Slovenia for the third reference period of monitoring Union-wide performance targets, which will be modified for the remaining reference period due to the outbreak of the coronavirus disease (COVID-19) based on the amendments of the above mentioned EU Regulation laying down a performance and charging scheme in the single European sky. The Performance Plan for an individual reference period must show the appropriate contribution of the Republic of Slovenia and the Company to the achievement of the set Union-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/ANS 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: 225 (as at 31 December 2020)

Contact information:
Telephone no.: 00 386 4 20 40 000
Fax no.: 00 386 4 20 40 001
E-mail: info@sloveniacontrol.si
Website: 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
Rok Prešern, Deputy President
Marija Šeme Irman, MBA, Member
Borut Lackovič Žumer, Member

Employee representatives:
Žiga Ogrizek, Member
Boštjan Mišmaš, Member

In 2020, the function of a member of the Supervisory Board was also performed by Gorazd Čibej, MSc (until 29 August 2020) and Nikolaj Abrahamsberg, MSc (until 23 November 2020), as the representatives of the founder, and Davor Mizerit (until 18 February 2020) as the employee representative.

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.

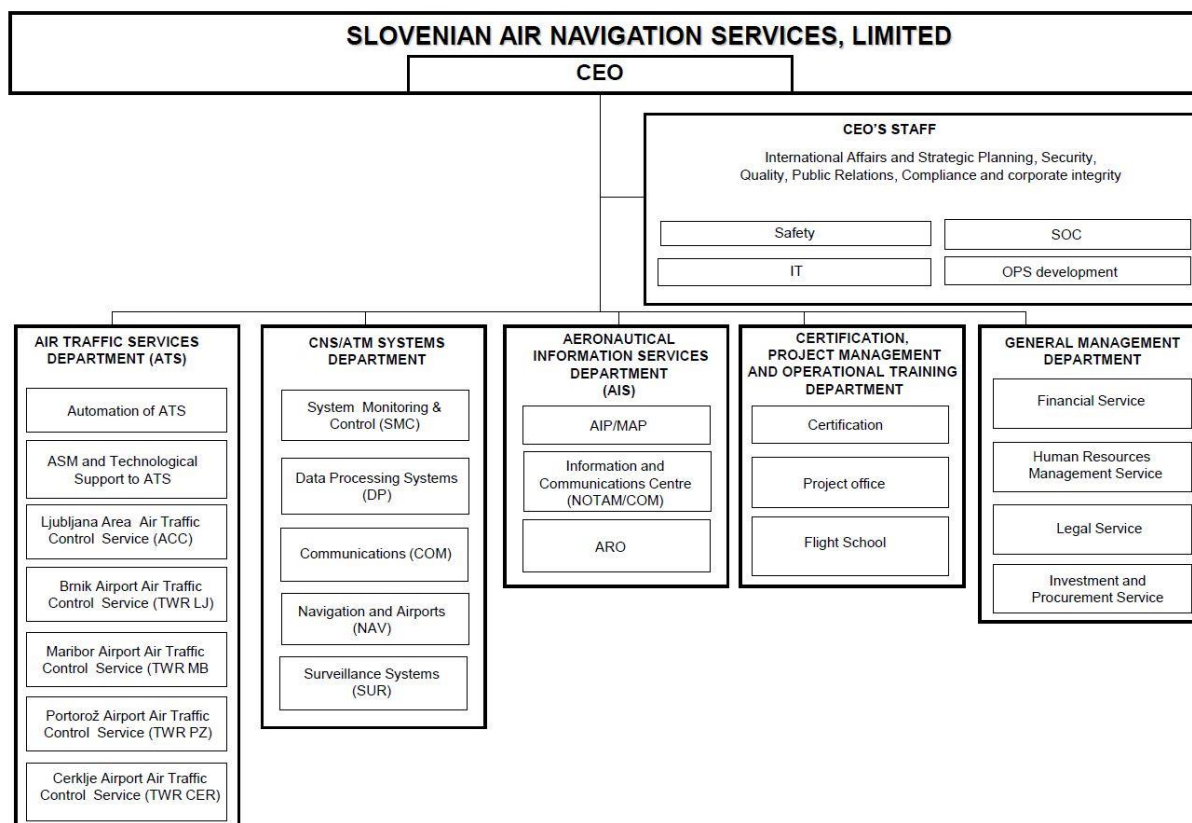
In 2014, the Company established a joint legal entity together with the air navigation service providers of Austria, the Czech Republic, Croatia, Hungary and Slovakia. The main purpose of the Slovenia-based limited liability company, FABCE, Aviation Services, Ltd. (hereinafter referred to as "FABCE, 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

Slovenia Control's organisational structure facilitates the safe, uninterrupted, efficient and sustainable provision of the air traffic management (ATM) / air navigation services (ANS) i.e. 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 traffic management (ATM) / air navigation services (ANS) i.e. 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), 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) (hereinafter referred to as 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:

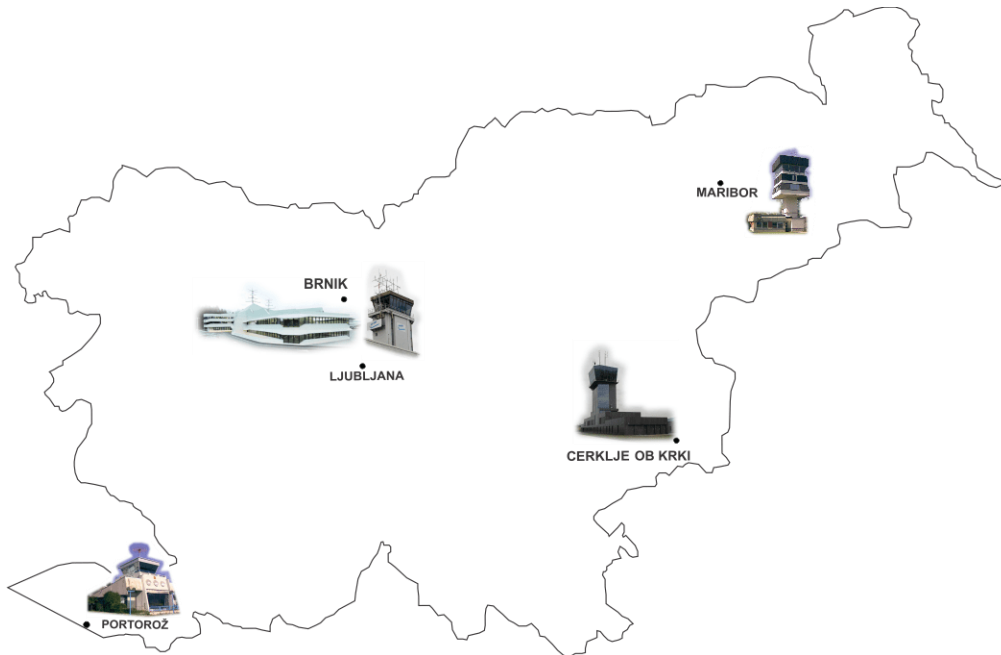
- Air Traffic Services;
- Communications, Navigation and Surveillance/Air Traffic Management Systems; and
- Aeronautical Information Services.

The Certification, Project Management and Personnel 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, development, quality and security, information technology, cyber safety, public relations, and compliance and integrity, which are performed by the CEO's Staff.

Figure 2: Company facilities



The Company's 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

The year 2020 will certainly go down in the history of aviation as the year of unparalleled record decline in air traffic. The outbreak of the global coronavirus epidemic (COVID-19) has quickly and very sharply curtailed a decade of sustained growth in air traffic around the world and has affected all stakeholders in the aviation sector. While a good year ago our attention was focused on the question of how to ensure the provision of services in a flexible and sustainable manner in the context of projected traffic growth in the new decade, in 2021 we are still facing the reality of the epidemic and learning to adapt to this and similar new threats with a new "normality" that will enable an exit from the health and economic crisis we are witnessing.

The impact of the COVID-19 pandemic was strongly notable in air traffic, which was recorded in Slovenian airspace. In mid-March 2020, when the epidemic was declared in the Republic of Slovenia similar to other countries, air operations were almost completely shut down as a result of the measures taken by countries to curb the spread of infection and mitigate the effects of the pandemic. At the annual level, 195,283 flights were performed in the airspace of the Republic of Slovenia under Instrument Flight Rules (IFR flights), which is 57.5% less than in 2019. A comparable decline, by 56.4%, was recorded at the level of the European Union (EU-28). In comparison to 2019, en-route traffic in Slovenian airspace in 2020 decreased by 57.9% in terms of the number of service units, while the approach and departure phases as regards Slovenian international airports dropped by as much as 69%. In addition to the COVID-19 outbreak, the decline in the terminal service was negatively affected by the bankruptcy of the Slovenian airline in 2019.

As a provider of critical infrastructure in the Republic of Slovenia, the Company provided its services without interruption while taking preventive, hygienic and organisational measures. From the point of view of operational departments, it is important that the Company suitably organised work to ensure the necessary availability of healthy staff. During the epidemic, work organisation was arranged 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 Cerklje ob Krki Military Airport. The Company again outperformed the target delay value for 2020, set at 0.23 minute per flight. The actual value of this indicator for 2020 for the Republic of Slovenia was 0.001 min/flight and was better than the target indicator value as well as the actual value of this indicator for 2019, when it was 0.004 min/flight.

As expected, the drop in air traffic affected the Company's greatly deteriorated liquidity situation and operations in 2020. Taking into account the required continuity of air navigation services, the Company adopted the necessary measures to control and streamline operating costs and secured itself additional sources of financing due to the loss of revenue. At this point, it is worth noting the successful social dialogue with employee representatives, both with the Workers' Council and the representative unions, which in a collective spirit supported the management's efforts to take measures aimed at reducing labour costs. The aggravated liquidity situation was also affected by the agreement reached by the member states through Eurocontrol on the deferral of payments for air navigation services by service users (airlines) for February, March, April and May 2020 to November 2021, when the services provided in February 2020 were due for payment, and to 2021 for the remaining three months. Thus, for the first time since its establishment in 2004, the Company ended the financial year with a loss. With EUR 15.5 million in sales revenues, i.e. EUR 22.7 million or 59.4% lower than planned, and total revenues in the amount of EUR 17.5 million, the loss equalled EUR 14.4 million.

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). 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. Over the past year, such cooperation was particularly important in the context of the efforts and substantiated representation of the interests of air navigation service providers and reaching of solutions at European Union level to address the problems of all aviation stakeholders arising from the COVID-19 crisis. In cooperation with the Civil Aviation Agency of the Republic of Slovenia and the Ministry of Infrastructure, the Company is also actively involved in the discussion of the proposal for new the Single European Sky legislation (SES2+) prepared by the European Commission. This process will continue intensively in 2021 and will be of importance given the Presidency of the Republic of Slovenia of the Council of the European Union.

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

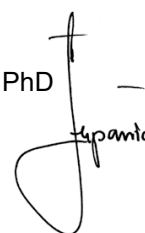
member. In 2020, we collaborated with partners in a number of projects within FAB CE, including projects aimed at optimising airspace (through intensified cross-border cooperation) and regional infrastructure, joint procurement, and preparation of implementation plans for FAB CE member states. Most activities will continue in 2021, 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.

Despite the difficult situation in aviation and the need for rationalisation, the Company pursues the planned investment and technological projects necessary for ensuring the prescribed levels of air traffic services and safety. The successful application of European mechanisms for co-financing the Company's technological development programmes remains important for the Company. Of the seven projects for which the Company has successfully obtained European funds in recent years, six have already been completed. The last – the NewPENS project, was finalised at the end of 2020. Only the project "SWIM Common PKI and policies & procedures for establishing a trust framework" is still in progress, the purpose of which is to determine the role, policy and procedures required for the creation, management, distribution, use, storage and revocation of digital certificates and encryption key management.

Major projects of the Company include the project "ATM Data as a Service – Cluster Deployment" (ADaaS2)", the implementation of which 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. Pursuing the development and investments in advanced technologies in the field of air navigation systems and devices is essential for the Company to maintain competitiveness, but also a must for sustainable development of the air traffic system by improving the overall efficiency of air navigation services in key performance areas: safety, capacity, environment and cost-effectiveness.

Although air traffic forecasts for 2021 are very uncertain, they indicate that the recovery will be very slow and largely dependent on the development of the epidemic, vaccine availability and vaccination rate, as well as the general economic recovery and the restoration of confidence and demand for air transport. The Company will thus strive to pursue the vision of developing a modern business model for the provision of air navigation services in the future, while taking all the necessary measures for the continuous provision of services and stable operations. The contribution of the Company and the Republic of Slovenia to achieving the Union-wide performance targets will be demonstrated in the revised Performance Plan for the Republic of Slovenia for the third reference period 2020 – 2024 of performance monitoring, in accordance with the amended European legal basis adopted last year by the European Commission in response to the emergence of COVID-19.

Franc Željko Županič, PhD
CEO



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 6 members, 4 of whom are appointed by the Founder and 2 by the Workers' Council.

In 2020, the Supervisory Board consisted of the following representatives of the Founder:

- Dušan Hočevar, MSc, President of the Supervisory Board, Master of Administrative Science, was for the second time appointed by the Founder as member on 23 November 2016 and elected President on 12 December 2016, with the term of office until 23 November 2020. He was reappointed as member on 24 November 2020 and as President on 17 December 2020, with the term of office until 24 November 2024;
- 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; reappointed member on 24 November 2020 with a term of office until 24 November 2024;
- Gorazd Čibej, LLM, member, appointed on 29 August 2016, with the term of office until 29 August 2020;
- Nikolaj Abrahamsberg, LLM, member, appointed on 23 November 2016, with the term of office until 23 November 2020;
- Rok Prešern, BSc Econ, management specialist, member, appointed on 30 August 2020, elected Deputy President of the Supervisory Board on 17 December 2020 with the term of office until 30 August 2024;
- Borut Lackovič Žumer, BSc Eng., member, appointed on 30 August 2020, with the term of office until 30 August 2024;

and the following employee representatives:

- Žiga Ogrizek, member, BSc Econ, appointed member on 1 July 2016, with a term of office until 30 June 2020; reappointed member on 1 July 2020, with a term of office until 30 June 2024;
- Davor Mizerit, member, BSc in Transportation Engineering, appointed on 1 July 2016, with the term of office ending on 18 February 2020 based on the resolution of the Workers' Council;
- Boštjan Mišmaš, member, BSc in Political Sciences, appointed on 1 July 2020 for a term of office until 30 June 2024.

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 2020

In 2020, the Supervisory Board held a total of 13 meetings, of which seven were regular and six correspondence meetings. All members of the Supervisory Board attended the meetings, except for two regular meetings, which were not attended by the member Žiga Ogrizek.

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

In 2020, the term of office of all members of the Supervisory Board terminated, as a result of which the composition of the Supervisory Board somewhat changed this year, as stated in the section on its composition. For the most part of 2020 the Supervisory Board operated with six members, and from 19 February 2020 to 30 June 2020 with five members, without one member – employee representative.

The members acted independently in their decision-making and completed statements on independence declaring themselves independent. No conflict of interest arose in the course of their operation in 2020. 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 resolutions in accordance with their powers, in compliance with high ethical standards.

The Supervisory Board has a four-member Audit Committee of the Supervisory Board, composed of two of the Supervisory Board members – Founder representatives, one Supervisory Board member – employee representative and one external member – independent expert.

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 2020, 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 2020 was mainly devoted to monitoring and supervising Slovenia Company's operations, focusing in particular on its financial condition and the measures to mitigate the consequences of the COVID-19 epidemic. As part of monitoring the Company's financial condition, the Supervisory Board regularly reviewed interim reports on the Company's operations and also examined Company's financial condition when considering other matters bearing financial consequences for the Company. As regards the measures adopted by the Company from the day the COVID-19 epidemic was first declared in March, the Supervisory Board received daily and weekly reports on the implementation of measures to ensure business continuity of the Company, as well as air traffic data prepared by the Company for its Founder. Based on the Supervisory Board's resolution, the Company reported on the consequences and measures of the Company to mitigate the consequences of the COVID-19 epidemic under a separate item on the agenda at every meeting of the Supervisory Board. The Supervisory Board regularly checked the implementation of cost optimisation measures. The borrowing raised by the Company to secure additional sources of funding due to the loss of revenue as a direct consequence of the negative impact of the COVID-19 epidemic on air traffic, was previously addressed and approved by the Supervisory Board. 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, and amendments to the respective contracts.

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 resolutions 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 resolutions. All the resolutions adopted by the Supervisory Board in 2020 were implemented.

In 2020, the Supervisory Board examined the Audited Annual Report for 2019 after it had been discussed by the Audit Committee and, having no comments, approved it. The approved Annual Report was also reviewed by the Founder.

On the basis of Eurocontrol's forecast of air traffic recovery from COVID-19, the Supervisory Board adopted the 2021 Annual Business Plan of Slovenia Control, Ltd., which will serve as the basis for the Company's activities and operations in 2021 and will ensure:

- the safe, proper and efficient implementation of air traffic management and control activities;
- adequate liquidity for continuous operations of the Company;
- 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;
- adequate qualifications of employees.

In 2020, the Supervisory Board was acquainted with the operations of FAB CE, Ltd. in which the Company has an equity investment. Based on the guidelines and recommendations of the Founder, it revised the

Instructions on the assessment of variable remuneration of the CEO and the Rules on laying down other CEO's rights in the employment contract.

Assessment of the efficiency of the Supervisory Board

In 2020, 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 the analysis of the performed valuation and adopted an Action Plan for improving the functioning of the Company's Supervisory Board, which includes the implementation of the succession planning policy in 2021 and members' training activities.

Work of the Audit Committee of the Supervisory Board

In 2020, the Supervisory Board's Audit Committee comprised the following members:

- Marija Šeme Irman, MBA, Chair, with the term of office from 6 December 2018 until the expiry of the term of office on the Supervisory Board on 29 August 2020. She was reappointed Chair on 17 December 2020 with the term of office until 17 December 2024 or until the termination of her term of office of Supervisory Board member;
- Dušan Hočevár, MSc, Deputy Chair, with the term of office from 6 December 2018 until 6 December 2022 or the termination of his term of office of Supervisory Board member;
- Davor Mizerit, member, employee representative, with the term of office from 17 October 2018 until 18 February 2020, when his term of office of Supervisory Board member expired;
- Žiga Ogrizek, member, employee representative, appointed on 19 February 2020, with the term of office until 19 February 2024 or the termination of his term of office of Supervisory Board member.
- Urška Kiš, BSc Econ, certified auditor, external member of the Audit Committee, independent expert, with a term of office from 6 December 2018 until 6 December 2022.

The composition of the Audit Committee changed in 2020, as the member Žiga Ogrizek replaced the member Davor Mizerit, employee representative, on 19 February 2020 based on the resolution of the Company's Workers' Council. On 29 August 2020, the membership of the Chair of the Audit Committee Marija Šeme Irman terminated due to the expiry of the term of office on the Company's Supervisory Board, and she was reappointed as Chair by the Supervisory Board on 17 December 2020, after her reappointment to the Supervisory Board. In the meantime, the Audit Committee consisted of three members, and the duties of the Chair were performed by the Deputy Chair of the Audit Committee. Dušan Hočevár, MSc, performed the function of Deputy Chair for the entire year 2020, as his term of office on the Supervisory Board was renewed without interruption on 24 November 2020.

In 2020, the Audit Committee of the Supervisory Board met at six meetings, of which three were regular meetings, which were attended by all members, and three were correspondence sessions, which were attended by all members, with the exception of one meeting, which was not attended by Dušan Hočevár, MSc.

In 2020, the Audit Committee discussed the draft Annual Report and the audited Annual Report of the Company for 2019 and proposed to the Supervisory Board to adopt them. It also reviewed the auditor's report, discussed the progress of the audit of the performance results with the audit partner of the external auditor Ernst & Young d. o. o., Ljubljana, and assessed the auditor's work.

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, of which the Chair of the Committee reported to the Supervisory Board. In doing so, the Committee paid special attention to the Company's negative operations, measures to reduce operating costs and ensure liquidity, and to manage other financial risks that have increased as a result of the COVID-19 epidemic.

The Audit Committee gave greater emphasis to the audit of the implementation of internal controls and risk management and the compliance of the Company's operations. The Audit Committee verified the independence of the auditor and discussed the draft contract on the provision of non-audit services by the auditors of the financial statements, concluding that the services do not affect the independence or objectivity of the auditor. It also examined the envisaged audit plan with the specification of audit areas and the composition of the audit team for the audit of the financial statements for 2020.

During 2020, the Audit Committee monitored and discussed reports on the harmonisation of operations with the recommendations of the external provider of internal audit, which in 2019 audited the Company's procurement.

The Audit Committee carried out an evaluation of its own effectiveness, and in January 2021 adopted an analysis of the results and an action plan to improve the functioning of the Committee.

The costs of operation of the Supervisory Board and its committees

In accordance with the Founder's recommendation, the members of the Supervisory Board and the Audit Committee waived 30% of the remuneration to which they are entitled for performing their duties due to the COVID-19 epidemic and its effects on the Company's operations from 1 March 2020 to 31 May 2020, except reimbursement of costs; the Founder adopted the appropriate resolution. At the proposal of the Supervisory Board, the Founder reduced the remuneration of the members of the Supervisory Board and the Audit Committee by 15% for the period from 1 June 2020 to 31 December 2020 based on a resolution. The Supervisory Board reduced the remuneration of the external member of the Audit Committee in accordance with the remuneration of other members of the Audit Committee. The remuneration of individual Supervisory Board members and the Audit Committee is presented in further detail in the financial report.

Annual Report for 2020

After the end of the 2020 financial year, the Supervisory Board and the Audit Committee reviewed the Audited Annual Report for 2020, 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 2020 and consists of two parts: the business report and the financial report, and includes the relevant Corporate Governance Statement.

The business report gives an account of the Company's operations in 2020 and its financial position, including a description of key risks and uncertainties that the Company was exposed to. It outlines the key events and factors affecting the Company's performance in 2020 and after the end of the financial year, summarises the key figures and performance indicators for 2020, including the data on operations without taking into account the impact of the risk-sharing mechanism. The report also presents the development and achievements of air navigation services in 2020, with a report on employee development and the provision of adequately qualified operational personnel as an important factor for the performance of the Company's activities. In addition to the above, the business report also includes a report on managing the risks to which the Company is exposed in particular due to the consequences of the COVID-19 epidemic, the major investments in 2020, the Company's contribution to sustainable development, air traffic data and the key plans for 2021 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 adequate notes to certain items in the financial statements. In addition, in the Annual Report the Company disclosed the effects of the risk-sharing mechanism by assessing contingent liabilities and receivables due to the impact of the said mechanism.

In line with the provisions of the Memorandum of Association of the Public Corporation Slovenia Control Limited, the Supervisory Board, prior to the adoption of the Annual Report for 2020, proposed to the Founder to adopt a decision on the method of covering the loss, regarding which the Founder on 19 April 2021 adopted a resolution, and the Founder's decision was taken into account in compiling the Annual Report. At its 136th regular meeting held on 22 April 2021, the Supervisory Board discussed the audited Annual Report for 2020 and the Audit Committee's Report on revision of unaudited and audited Annual Report for 2020 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 assessed that the Company's negative performance in 2020 was expected and was due to the external risks incurred by the Company due to the outbreak of the COVID-19 epidemic, which directly resulted in a plunge in air traffic worldwide. An additional negative impact on the Company's revenues arose from the negative effect of the traffic and inflation risk-sharing mechanism from 2018, as explained in the Annual Report. The Supervisory Board notes that throughout the year, and especially

since the outbreak and declaration of the COVID-19 epidemic, the Company has taken the measures necessary to ensure compliance with the business continuity obligation in accordance with Slovenian and European legislation. Taking into account the above requirements, the Company, despite a relatively high share of fixed operating costs with a 57% decrease in revenues and a high level of uncertainty regarding the forecast of traffic during the year, adopted and implemented effective measures to reduce individual cost categories, and in due time provided the necessary additional sources of financing for stable operations and regular payment of all overdue liabilities. Despite the measures taken to streamline operating costs, the Company ended the financial year with a great loss along with a significant loss of revenue.

Plans for 2021

In 2021, 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. It will pay special attention to the regular monitoring of how the consequences of the COVID-19 epidemic are managed, and will apply due care to monitoring and supervising the adoption of the Company's measures for the continuous implementation of activities and stable operations. In doing so, it will regularly monitor monthly and quarterly data on operations and financial statements, the Company's liquidity situation and borrowing, and capital adequacy. The Supervisory Board will also closely control business planning, the procedures for concluding significant transactions related to the Company's expenses, as well as the management of all key risks to which the Company is exposed in 2021.



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 Dec., 82/13, 55/15, 15/17, 22/19 – ZPosS, 158/20 – ZIntPK-C in 18/2021) (hereinafter referred to as the Companies Act) and Article 26(4) of its Memorandum of Association, the Company hereby issues its corporate governance statement for 2020.

1. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In 2020, 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 November 2019. The Code is available at 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.

Succession Policy (point 6.2.6 of the Code)

The Supervisory Board starts the selection procedure for internal succession candidates according to the provisions of the Management Succession Policy one year and a half prior to the expiry of the term of office of the present CEO.

Statement of Independence (item 6.7.1 of the Code)

The Supervisory Board members and the external member of the Audit Committee 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 2020, Slovenia Control, Limited also followed the Recommendations and Expectations of the Slovenian Sovereign Holding applicable at the time. The Recommendations and Expectations are published at 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:

- Act on the Provision of Air Navigation Services;
- 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 March 2017, p. 1), as amended by Commission Implementing Regulation (EU) 2020/469 of 14 February 2020 amending Regulation (EU) No 923/2012, Regulation (EU) No 139/2014 and Regulation (EU) 2017/373 as regards requirements for air traffic management/air navigation services, design of airspace structures and data quality, runway safety and repealing Regulation (EC) No 73/2010 (OJ L 104, 3 April 2020, p. 1) (hereinafter referred to as: Commission Implementing Regulation 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 Nos 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 the 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 the activities to 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. At the end of 2020, the Company appointed a Compliance and Integrity Officer, who performs his/her function independently and autonomously and reasonably follows the guidelines of the SSH Code with regard to the ownership structure, size and activity of the company.

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 the said ISO standard.

The area of compliance is effectively supported also 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 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 whistleblower 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 or Audit Committee 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 2020. 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. 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 2020, the Founder exercised its powers through the Slovenian Sovereign Holding.

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

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 2020 is presented in more detail in the CEO's Report.

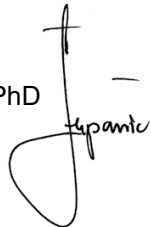
In accordance with the Memorandum of Association, the Supervisory Board is composed of six members, four of whom represent the Founder and two represent the employees. The Supervisory Board established the Audit Committee of the Supervisory Board, composed of four members, one of whom is an external independent expert. The composition and operation of the Supervisory Board and the Audit Committee are presented in more detail in the 2020 Report on the Work of the Supervisory Board.

7. DESCRIPTION OF DIVERSITY POLICY

The Diversity Policy of management and supervisory bodies of Slovenia Control, Slovenian Air Navigation Services, Limited, which was adopted by the Supervisory Board on 17 December 2019, applies only to representation on the Supervisory Board, as the Company has a one-person management body. The goal of the Policy is to achieve greater efficiency of the Supervisory Board as a whole, which will affect the development of operations and the Company's business reputation. The Policy promotes the diversity of membership in the Company's Supervisory Board in terms of professional diversity, experience, age, gender and continuity. The Policy is pursued by the Founder and the Workers' Council as a guideline, as they have the power to appoint members of the Supervisory Board. The Policy sets such target gender ratio that at least one third of the members of the Supervisory Board are of both sexes; after the appointment by the competent authorities in 2020, the Supervisory Board consists of five male members and one female member. The Diversity Policy is published on the Company's website.

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, 19 April 2021

Zgornji Brnik, 22 April 2021

I BUSINESS REPORT

1 KEY EVENTS AND FACTORS AFFECTING PERFORMANCE IN 2020 AND AFTER THE END OF THE FINANCIAL YEAR

On a global scale, in 2020 air traffic and the aviation sector were marked by the onset of the SARS-COV-2 coronavirus pandemic (COVID-19), which as a result of countries' efforts to contain the spread of the disease and the measures adopted to this end severely affected the possibility of travel and caused a drop in demand for air transport. In the EU-28 area, a 56.4% drop in the number of flights (IFR flights) was recorded in 2020 compared to the record year of 2019, while in the Republic of Slovenia the number of flights decreased by -57.5% compared to 2019. Decline in traffic was also reflected in the decreased number of en-route service units in the Slovenian airspace. The volume of en-route traffic in the Slovenian airspace, expressed in service units, shrank by 57.9% in 2020 compared to 2019, while the number of service units in the approach and departure phase (terminal) at Slovenian international airports dropped by -69.0% in comparison to 2019.

1.1 HIGHLIGHTS AND IMPACTS ON THE OPERATIONS IN 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.
- On 16 and 17 January 2020, the Company participated in the conference on the "VOLCEX 19" international exercise. The purpose of the conference was to formulate recommendations based on the experience gained during the exercise in 2019 and take them into account in the objectives of the "VOLCEX 20" exercise for taking action in the case of volcanic ash. The exercise was scheduled for 17 November 2020, but was not carried out. The Volcanic ash crisis management working group, in which a representative of the Company participates, suspended its activities due to the spring shut-down as a result of the coronavirus disease pandemic.
- 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 a new 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, and were divided into general measures and measures related to operational services.
- At its 11th correspondence meeting, FABCE Assembly 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, which addressed general warnings about the proper hygiene and preventive measures taken by employees, encompassing regular updating of employees about the information provided 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 with the Environmental Agency of the Republic of Slovenia an Agreement on the transfer of funds for the provision of meteorological services for the third reference period (2020 – 2024) and Annex No. 1 to the 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 license for the provision of air navigation services for the third reference period (2020 – 2024) and Annex No. 1 to the said Agreement for 2020.
- On 9 March 2020, the National Security Council of the Republic of Slovenia adopted measures to contain the spread of COVID-19 infection.
- On 10 March 2020, due to the spread of COVID-19, 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 Organisation (WHO) declared the outbreak of the coronavirus a pandemic, and a day after the Minister of Health with an order declared an epidemic of the infectious disease COVID-19 in the Republic of Slovenia.
- 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 Cerklje ob Krki Military/Civilian Airport. The employees of other departments were instructed to work from home until further notice for preventive purposes and so as to reduce the possibility of infection within the organisation, thereby mitigating the risk for business continuity of the Company. 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 already in March indicated a downward trend, which had 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.
- 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 already 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 coronavirus pandemic for 2020 at USD 314 billion, with a 55% drop in revenues compared to 2019, and announced that 25 million jobs were at risk of disappearing, of which 5.6 million in Europe alone, if the situation did not start to improve in three months with the reopening of international air connections.
- An application was submitted to the Civil Aviation Agency of the Republic of Slovenia to change the airspace of Cerklje ob Krki Airport and to introduce instrument approach and departure procedures.
- Due to the decline in air traffic as a result of the COVID-19 epidemic and the consequent huge loss of revenue from charges for services provided, which constitute the Company's main source of financing, an Agreement on measures to mitigate the negative consequences of the coronavirus (COVID-19) epidemic was concluded with representative unions on 22 April 2020, according to which the salaries of all employees were temporarily reduced for the period from 1 April 2020 to 30 June 2020.

May

- With the Ordinance prohibiting international air services in the Republic of Slovenia of 12 May 2020, the Government of the Republic of Slovenia lifted restrictions on the operation of international air transport from both the European Union and third countries to international public airports in the Republic of Slovenia. However, the measure banning flights of general aviation aircraft with departures from other countries and landings in areas of public airports of local importance where international air traffic is conducted was in force until 12 June 2020 due to the risk to public health and property protection, as health conditions and requirements set by the competent public health authority were not established.
- At its 8th regular meeting held on 7 May 2020, the Audit Committee of the Company's Supervisory Board was acquainted with the Company's unaudited Annual Report for 2019 as well as audit findings and unusual transactions in 2019. Pursuant to the Articles of Association, the Company prepared the audited Annual Report for 2019, which was discussed by the Audit Committee of the Supervisory Board at its 9th regular meeting held on 28 May 2020, together with the auditor's report on the audit of the financial statements.
- At its 129th regular meeting on 28 May 2020, the Company's Supervisory Board reviewed and approved the audited Annual Report of the Company for 2019, and 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 allocation of the distributable profit, with which it agreed, and adopted the Report of the Supervisory Board for 2019.
- Based on the resolutions of the Supervisory Board, the Company submitted the Founder the material on 29 May 2020, for it to become acquainted with the Annual Report for 2019, the Audit Report for 2019 and the Report of the Supervisory Board for 2019 and the proposed decision on the allocation of distributable profit in accordance with the Platform of Slovenian Sovereign Holding for Voting on General Meetings of Companies in 2020.
- On 31 May 2020, the COVID-19 epidemic in the Republic of Slovenia was declared over.

June

- In agreement with the Workers' Council, on 9 June 2020, the Company concluded Annex No. 1 to the Contract on the establishment of a pension insurance scheme, under which it temporarily – from 1 June 2020 to 31 December 2020 – discontinued paying voluntary collective supplementary pension insurance premiums for employees.
- As the founder of the Company, the SSH, in the name and on behalf of the Republic of Slovenia, adopted a resolution at the regular meeting of the Management Board on 17 June 2020, taking note of the Company's Annual Report for 2019, the Report on the Work of the Supervisory Board for 2019 and the remuneration of the CEO and the members of the Supervisory Board in 2019, and decided that the distributable profit of the Company, which as at 31 December 2019 amounted to EUR 2,728,119, consisting of retained earnings from previous years and the remaining net profit for the 2019 financial year after its allocation, remains undistributed (profit brought forward). At the proposal of the Supervisory Board, the Founder also decided to temporarily reduce the remuneration of the members of the Supervisory Board (including members of the Audit Committee) by 30% in the period from 1 March 2020 to and including 31 May 2020 and by 15% for the period from 1 June 2020 to and including 31 December 2020, however, the said reduction does not apply to cost reimbursement.
- In June, regular inspections of compliance with the binding requirements of Slovenian and European legislation were carried out by the Civil Aviation Agency of the Republic of Slovenia, which are required for extending the validity of the licence (certificate) for carrying out the Company's activities.
- The CEO participated in the FAB CE CEO Committee, which took place on 23 June 2020 in the form of a Webex conference. A new Chair was elected for a period of 12 months, namely the CEO of the Croatian navigation service provider. An important topic discussed at the meeting was the plan for a coordinated response of FAB CE service providers to the consequences of the COVID-19 epidemic and the gradual recovery of air traffic.
- On 23 June 2020, the Company signed a Collaboration Agreement with the CANSO international organisation.
- Between 27 June and 5 July 2020, the Celje Airport hosted the XXIX. Slovenian national gliding championship in club, 15m mixed and open class and the international open competition Celje Cup 2020. Various departments of the Company provided extensive professional support both in the phase of obtaining approvals for the event and the implementation of the competition.

July

- On 1 July 2020, Žiga Ogrizek and Boštjan Mišmaš started a four-year term on the Supervisory Board based on a resolution of the Workers' Council on the appointment of two members of the Company's Supervisory Board – employee representatives.
- Based on the CEO's resolution, the Department for the Development of Operational Software and Hardware and the Operational Working Environment was established on 1 July 2020 as part of the CEO's Staff.
- On 6 July 2020, the Company signed Annex No. 1 to the Agreement on measures to mitigate the negative consequences of the coronavirus (COVID-19) epidemic and concluded with the Independent Trade Union of Air Traffic Controllers of the Republic of Slovenia (SSKL) Amendments to the Annex to the Corporate Collective Agreement on the amount of basic salaries, salaries per pay grade and the amount of bonus to basic salaries, based on which a new temporary reduction in the salaries of employees was agreed for the period from 1 July 2020 to 31 December 2020.
- On 6 July 2020, the Company hosted the Minister of Infrastructure with associates, whose visit was dedicated to the presentation of the Company and a tour of the operational premises in the ATCC facility.
- On 9 July 2020, the Company organised a stakeholder consultation regarding the modernisation of the ILS precision approach procedure at Ljubljana Jože Pučnik Airport and the implementation of PBN procedures at Portorož Airport.
- On 17 July 2020, the FABCE Assembly passed a resolution No. 011-2/2020-24 of 17 July 2020, approving the Annual Report of FABCE for 2019.

August

- Between 27 and 30 August 2020, the Slovenian Open National Hot Air Balloon Championship Murska Sobota 2020 took place at Rakičan Airport. For the first time in the history of the Republic of Slovenia, the championship also hosted the take-off of a group of gas balloons, which they named "1st Slovenian Gas Balloon Challenge". The Company provided all the necessary professional assistance in setting up the event.
- Based on a resolution passed by the SSH Management Board on 26 August 2020, Borut Lackovič Žumer and Rok Prešern were appointed members of the Company's Supervisory Board for a four-year term on 30 August 2020.

- In August, the process of mandatory annual consultations with service users regarding cost bases and unit rates was carried out, conducted by the Civil Aviation Agency of the Republic of Slovenia for the en-route phase and by the Ministry of Infrastructure for the terminal phase. The Company was actively involved in this process in preparing additional explanations for service users.

September

- The Company prepared the Draft Annual Business Plan 2021, which was discussed by its Supervisory Board at the 131st regular meeting held on 10 September 2020. According to the Memorandum of Association, the Company's Annual Business Plan is adopted by the Supervisory Board and on the basis of Article 8 of the Act on the Provision of Air Navigation Services it is subsequently approved by the minister responsible for transport. In accordance with the Recommendations and Expectations of the Slovenian Sovereign Holding from August 2020, the draft business plan was submitted to the SSH.
- The representatives of the Company attended a regular periodic meeting with the SSH Management Board, which took place on 17 September 2020.
- The final report to the European Commission and INEA (Innovation and Networks Executive Agency) marked the successful completion of the project of establishing Slovenia Wide Area Multilateration System (SLOWAM), which represents a new control chain in Slovenian airspace.
- The Company concluded with FABCE, Aviation Services, Ltd. Annex No. 1 to the Agreement on the Provision of Public Procurement and Legal Consulting Services, Annex No. 1. to the Agreement on the Provision of Accounting and Administrative Services and Annex No. 1 to the Lease Contract. The Agreements and Contract are extended until the end of September 2022.

October

- As part of the Minister of Defence's visit to Cerklje Airport, Cerklje ob Krki, which took place on 2 October 2020, the Minister and his colleagues also visited the control tower and Air Traffic Control premises of Cerklje Airport.
- The Company prepared the final Annual Business Plan for 2021, which was discussed and adopted by the Company's Supervisory Board at its 132nd regular meeting on 13 October 2020. In accordance with the first paragraph of Article 8 of the Act on the Provision of Air Navigation Services, the Business Plan was submitted to the Minister of Infrastructure for approval and to the SSH for information.
- On 20 October 2020, the Management Board of SSH adopted a resolution appointing Dušan Hočevar, MSc, and Marija Šeme Irman, MBA, to the Company's Supervisory Board for a four-year term of office beginning on 24 November 2020.
- The Company cooperated with the Ministry of Infrastructure in the preparation and formulation of the positions of the Republic of Slovenia on the proposal of the European Commission for amending the Single European Sky legislation, i.e. SES2+.
- The European Commission (EASA Committee) issued a report on the compliance of member states 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), which shows that by implementing the Data-link service in May 2020, the Republic of Slovenia met the obligations arising from the quoted Regulation.
- On 19 October 2020, the Government of the Republic of Slovenia re-declared the epidemic of the infectious disease COVID-19 in the territory of the Republic of Slovenia.
- In October, a working group comprising employees from various areas of the Company completed a project to establish a backup space for temporary air traffic management in the event of contamination (with SARS-CoV-2 coronavirus) and disinfection of the Ljubljana Area Control Centre. The transition to the backup location was carried out several times due to potential contamination of the premises of the Ljubljana Area Control Centre.
- According to the IATA, the second wave of the COVID-19 epidemic, with a growing number of infections in Europe and elsewhere in the world resulted in more caused a deterioration in the outlook for aviation in 2021. According to forecasts, the total revenues of airlines in 2021 compared to 2019 will decrease by 46% instead of 29%, as initially estimated.
- The Company's CEO attended the Annual General Meeting of the CEOs of air navigation service providers who are members of the CANSO international organisation, where voting was held for the appointment of members to CANSO bodies and for the adoption of General Meeting resolutions, amendments to the Articles of Association, annual membership fee for 2021 and ratification of the budget.

November

- The European Commission adopted Commission Implementing Regulation 2020/1627/EU adopting provisional measures for the third reference period (2020–2024) for the single European sky performance and charging scheme due to the COVID-19 pandemic, which caused a plunge in air traffic due to decreased demand and the direct measures taken by member states and third countries to contain the outbreak of a pandemic. With the adoption of this Regulation, the European Commission adopted a provisionally amended legal framework for the third reference period, which takes into account the emergency situation in the aviation sector.
- On 3 November 2020, the air navigation service providers BALTIC FAB, DANUBE FAB, FAB CE and FABEC signed a Joint Declaration to deepen InterFAB cooperation in the domain of Aeronautical Information Management (AIM). The declaration was signed during the on-line workshop on “Digitalisation – challenging and enabling future AIM”, which brought together approximately 100 experts from all over Europe on 2-3 November 2020. Harmonised aeronautical information is a key resource for the Digital Single European Sky as modern technologies including artificial intelligence and big data solutions require robust and consistent data sets. In addition, new types of airspace users such as drones and unmanned aircraft need for their operations partially different data sets, for instance more precise information concerning lower airspaces. The declaration expresses the substantial contributions provided by FABs and InterFAB for the success of the Single European Sky.
- The Company signed with DRI, Upravljanje investicij, Družba za razvoj infrastrukture, d. o. o. (hereinafter: DRI) the Agreement on Managing Critical Events Affecting the Air Traffic Flow at Maribor Edvard Rusjan Airport, the purpose of which is to define mutual cooperation and obligations and delimit responsibilities with the aim of effective coordination between air traffic services and DRI in critical event management.
- Pursuant to the Decision of the Government of the Republic of Slovenia on the participation of the Republic of Slovenia in the NATO cyber defence exercise “Cyber Coalition 2020 (CC20)”, the Company was included in the NATO exercise Cyber Coalition 2020 (CC20). The exercise took place in NATO entities and in allies. The basic NATO exercise scenario was upgraded with the national scenario, which in addition to the key ministry, i.e. Ministry of Defence, encompassing Slovenian Armed Forces, also included other ministries, companies, government services and agencies in the Republic of Slovenia.
- On 18 November 2020, the Government of the Republic of Slovenia extended the state of epidemic of the COVID-19 infectious disease in the territory of the Republic of Slovenia by 30 days.
- On 20 November 2020, the Company attended a conference on the introduction of instrumental procedures at Cerklje ob Krki Airport, organised by the Ministry of Defence for all major stakeholders of the airport. The main topic addressed at the conference was the presentation of the new environment and changes in flight procedures in the airspace of Cerklje ob Krki Airport.
- Between 24 and 27 November 2020, the Company underwent an inspection by the Defence Inspectorate of the Republic of Slovenia within the Ministry of Defence in the field of critical infrastructure protection. The Company successfully passed the inspection.
- In November, Eurocontrol released the Five-Year Forecast 2020–2024, which is slightly different from the standard seven-year forecasts issued twice a year. The forecast only covers the period up to the end of the third reference period (2020–2024, RP3) for monitoring the EU-wide performance targets and, in the most optimistic scenario, traffic is forecast to return to 2019 levels by 2024. The forecast is based on three scenarios that are greatly dependent on the availability of the COVID-19 vaccine, which directly affects passengers’ confidence in the safety of air travel and thus the possible scenarios of traffic recovery to the 2019 level.
- The Company signed with the Austrian (Austro Control), Czech (ANS CZ), Hungarian (HungaroControl) and Slovak (LPS) air navigation service providers and FABCE, Ltd., the Framework Agreement for common CNS planning.

December

- From 7 to 11 December 2020, a pre-audit of the Company’s operations was carried out by Ernst & Young Revizija, d. o. o., Ljubljana.
- In accordance with Article 8 of the Act on the Provision of Air Navigation Services, the Ministry for Infrastructure approved the Annual Business Plan for 2021.
- Pursuant to Article 12 of the Act on the Provision of Air Navigation Services and in line with Commission Implementing Regulation 2019/317/EU and Decree implementing the Implementing Regulation (EU) laying down a performance and charging scheme in the Single European Sky, Official Gazette of the RS, No. 3/20 (hereinafter: Regulation on the implementation of Implementing Regulation 2019/317/EU) the Minister of Infrastructure approved the cost base and the en-route unit rate for 2021 in the amount of EUR 47.89.

- On the basis of Article 12 of the Act on the Provision of Air Navigation Services and pursuant to the Decree on terminal charges for the provision of air navigation services (Official Gazette of the RS, No. 102/06), the Minister of Infrastructure approved the cost base and the terminal unit rate for 2021 in the amount of EUR 255.79.
- The Company completed the audit process and demonstrated compliance with the common requirements for air navigation service providers and air traffic management, and successfully maintained or obtained a new certificate (license) for the provision of air traffic services (ATS), air traffic flow management (ATFM), airspace management (ASM), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS), No. 37290-2/2020/1 - second issue of 23 December 2020, issued by the Civil Aviation Agency of the Republic of Slovenia by Decision No. 37290-2/2020/1 of 23 December 2020. With the adoption of the said Decision, the previously valid service provider certificate for the exercise of privileges of air traffic flow management and airspace management, No. 37290-3/2019/7 of 20 December 2019 and the licence of the air navigation service provider to provide air traffic services (ATS), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS), No. 37290-2/2017/16 of 30 November 2017 ceased to apply.
- On 18 December 2020, the Government of the Republic of Slovenia extended the state of epidemic of the COVID-19 infectious disease in the territory of the Republic of Slovenia by 30 days.
- The Government of the Republic of Slovenia extended for a period of one (1) year the temporary solution for the provision of operating services at Edvard Rusjan Airport Maribor, which has been temporarily carried out by the company DRI since 2 July 2019 following the termination of the Lease Contract by Aerodrom Maribor.
- On 29 December 2020, the Company signed a Commitment to Respect Human Rights in Business, whereby it undertook to implement the relevant principles of the National Action Plan on Business and Human Rights.
- In accordance with the Corporate Governance Code for State-Owned Enterprises, the Company appointed a Compliance and Integrity Officer.
- The Company concluded a Framework Agreement on the purchase of spare parts for the CNS system with Croatia Control and FABCE, Ltd.
- Žiga Ogrizek was appointed as the Company's representative to the Supervisory Board of FABCE, Ltd., for the next four years.

1.2 KEY EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

January

- With the Ordinance on the declaration of the COVID-19 epidemic in the territory of the Republic of Slovenia (Official Gazette of the RS, No. 5/2021 of 14 January 2021), the Government of the Republic of Slovenia extended the period of the declared state of epidemic from 17 January 2021 to 18 March 2021.
- Pursuant to the Act on the Provision of Air Navigation Services, the Company signed with the Ministry of Defence of the Republic of Slovenia Annex No. 5 to the Agreement regulating the mutual relations regarding the provision of air navigation services at Cerklje Airport, Cerklje ob Krki, for general air traffic (GAT) and operational air traffic (OAT), whereby the validity of the said Agreement was extended until the conclusion of a new one or at the latest until 31 March 2021.
- An Agreement on the exchange of information relevant to aircraft search and rescue was concluded with the Ministry of the Interior, specifically the Police.
- On the basis of the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic (Official Gazette of the RS, No. 203/20; hereinafter: ZIUPOPVE), in order to have a positive impact on the air connectivity of the Republic of Slovenia and mitigate the economic consequences of the decline in air traffic resulting from the COVID-19 epidemic, the Company signed a Contract with the Ministry of Infrastructure to provide funding with the aim of reducing air navigation charges at terminals for 2021.
- Pursuant to the aforementioned Contract concluded with the Ministry of Infrastructure and Article 12 of the Act on the Provision of Air Navigation Services, the Minister of Infrastructure approved a new reduced cost base and unit rate at terminals in the amount of EUR 207.66 for the period from 1 February 2021 to 31 December 2021.
- On 19 January 2021, the Ministry of Infrastructure approved a decision on changes in the airspace of the Republic of Slovenia in connection with the introduction of instrumental procedures at Cerklje ob Krki Airport, which enter into force on 22 April 2021.
- At the end of January, Eurocontrol issued a new set of Traffic Scenarios for the period up to mid-2021. According to Eurocontrol, air traffic throughout Europe is expected to be approximately 64% down in January 2021 compared to January 2019. In response to the latest waves of COVID-19 and

the risks associated with new variants, many states across Europe are imposing stricter travel restrictions, due to which the demand for air travel is greatly suppressed. Eurocontrol predicted similar growth rates until mid-2021.

February

- For 2021, the Company concluded Annex No. 2 to the Agreement on the transfer of funds for the provision of meteorological services for the third reference period (2020 – 2024) with the Environmental Agency of the Republic of Slovenia.
- Based on the Decision of the Ministry of Infrastructure on changes in the airspace of the Republic of Slovenia regarding the introduction of instrumental procedures at Cerklje ob Krki Airport, the Civil Aviation Agency of the Republic of Slovenia approved nine (9) instrumental procedures at the Company's proposal.

March

- Annex No. 2 to the Agreement on the transfer of funds to cover the costs related to the certification and continuous monitoring of the license for the provision of air navigation services for the third reference period (2020 – 2024) was signed by the Company with the Civil Aviation Agency of the Republic of Slovenia for 2021.
- On 18 March 2021, the Company underwent an inspection by the Information Security Administration of the Republic of Slovenia, the purpose of which was to verify if the Company has fulfilled its obligations under the Information Security Act (Official Gazette of the RS, No. 30/18).
- On 24 March 2021, the Company's CEO participated in FAB CE CEOC meeting, which took place in the form of a video conference. The key topics at the strategic level discussed at the meeting were in particular the new Single European Sky SES2+ legislative proposal, changes related to the implementation of the RP3 performance plans and measures in response to the COVID-19 epidemic.
- On 29 and 30 March 2020, an external control audit of the management system took place according to the ISO 9001:2015 international standard, on the basis of which the Company's quality management system certificate was retained (SL22019Q, 18 January 2022).

Due to the COVID-19 epidemic, the negative effects of which persist in 2021, and the general uncertainty regarding its development, it is impossible to assess the final impact on the Company's operations and the realisation of accounting estimates.

2 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 Multilateral Agreement relating to Route Charges (Act on the Ratification of the Multilateral Agreement relating to Route Charges, Official Gazette of the RS - International Treaties, No. 11/95), Commission Implementing Regulation 2019/317/EU, Decree implementing Implementing Regulation 2019/317/EU, Eurocontrol's guidelines 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 Environment Agency (for aviation meteorology services). The established costs related to provision of air navigation services are composed of labour costs, the costs of materials and other operating costs, 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. These principles are, taking into account the Decree on terminal charges for the provision of air navigation services (Official Gazette of the RS, No. 102/06), applied mutatis mutandis to 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 (adjustment mechanism).

For 2020, the en-route unit rate of EUR 51.79 was calculated for Slovenia, while it amounted to EUR 59.51 in 2019 and the terminal unit rate of EUR 222.90 was initially set for all three international airports, having increased from EUR 211.21 in 2019.

Table 1: Analysis of the financial situation

in EUR	2020	2019	Index 2020/2019
Operating revenue	17,551,192	42,070,412	42
EBIT	-14,329,398	5,492,948	-261
EBITDA	-10,243,169	9,090,800	-113
Net profit	-14,395,672	4,585,114	-314
Non-current assets	25,615,757	27,345,080	94
Current assets	4,978,964	10,610,872	47
Equity	10,307,825	24,736,997	42
Non-current liabilities	5,851,699	2,714,496	216
Current liabilities	11,687,704	7,972,333	147
Indicators	2020	2019	Index 2020/2019
EBIT margin	-81.64%	13.06%	-625
EBITDA margin	-58.36%	21.61%	-270
Return on equity (ROE)	-82.16%	19.66%	-418
Return on assets (ROA)	-42.00%	12.64%	-332
Financial leverage	2.97	1.53	193
Number of employees	2020	2019	Index 2020/2019
At the end of the year	225	228	99

Note: Calculation of EBIT and EBITDA

EBIT = (Revenues from sales from contracts + Other operating revenue) – Operating expenses;

EBITDA = EBIT + Write-downs (Depreciation + Revaluation operating expenses associated with intangible and property, plant and equipment + Net impairment of receivables).

In 2020, the Company's operations were marked by the global COVID-19 epidemic and the related economic recession, which in connection with the measures taken by countries to reduce the spread of coronavirus and mitigate the effects of the epidemic, and especially in relation to travel restrictions and bans, caused a plunge in air traffic and severely affected the aviation sector and virtually all aviation stakeholders.

As a result, the Company ended the financial year with a loss. After 2019, which was the Company's most successful business year, in 2020 the Company's revenues were more than 59% lower than in 2019. In 2020, the Company generated EUR 17,551,192 in operating revenues, of which sales revenues amounted to EUR 15,457,515. The Company earned revenues from en-route charges in the amount of EUR 13,550,098, which is 63% less than in 2019. In 2020, it generated EUR 914,515 from terminal charges or 73% less than in 2019. In 2020, other sales revenues amounted to EUR 992,902 and were 25% lower than in 2019. Within sales revenues, revenues from en-route charges represent just under 88%, while revenues from terminal charges equal 6% and other sales revenues likewise 6%. Domestic sales made up close to 6% of the total, while foreign (mainly EU) sales represented 94%. Other operating revenues amounted to EUR 2,093,677, of which revenues from state aid for mitigating the consequences of the COVID-19 pandemic totalled EUR 1,899,987 or 91% of other operating revenues.

In 2020, the Company posted a negative working capital, namely current liabilities exceeded current assets in the amount of EUR 6.7 million. The Company has taken out short-term loans for liquidity purposes, which were drawn in the amount of EUR 6.9 million at the end of 2020, alongside a long-term loan falling due in 2021. By raising short-term loans in sufficient amounts, the Company secured business continuity in 2021 and beyond. Liquidity risk is analysed in more detail in Section 6.2. – Financial risks and in Section 3.2.25 – Financial instruments and financial risk management.

With a significant drop in revenues due to the decline in air traffic, the Company took measures to control and streamline costs to the extent that it was possible to continue to provide air navigation services, which meant a reduction in operating costs, but in 2020 it nevertheless incurred a high loss.

As a result of the method used to set 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 and actual en-route flights and approaches/departures and inflation – the so-called risk-sharing mechanism, the Company will cover the loss of revenue in 2020 and 2021 and the resulting operating loss incurred in these two years from the charges set based on the risk-sharing mechanism in 2023 – 2027.

2.1 PERFORMANCE INDICATORS

Pursuant to Commission Implementing Regulation 2019/317/EU, EU 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 Commission Implementing Decision setting the Union-wide performance targets for the air traffic management network and alert thresholds for the third reference period of 2020 to 2024.

The year 2020 was the first year of the third reference period from 2020 to 2024, 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 2019/317/EU, the Republic of Slovenia prepared the draft Performance Plan 2020 – 2024 for the third reference period and submitted it to the European Commission based on Article 12 of Commission Implementing Regulation 2019/317/EU. The draft Performance Plan 2020 – 2024 for the Republic of Slovenia 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.

Commission Implementing Regulation 2019/317/EU for the third reference period (RP3, 2020 – 2024) lays down that targets and performance indicators in all four performance areas, i.e. capacity, cost-efficiency, safety and environment, while the draft Performance Plan 2020 – 2024 for the Republic of Slovenia was based on the data planned prior to the onset of the COVID-19 epidemic and in line with the then EU-wide performance targets for the third reference period. Accordingly, the Company defined those indicators in its 2020 Business Plan as binding performance indicators, laid down their values relative to the EU-wide performance targets for 2020, and collected and evaluated the data relevant to their monitoring.

Binding performance targets and indicators in key performance areas as defined in accordance with the draft Performance Plan for 2020 – 2024 and the Company's 2020 Annual Business Plan 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 2017 within the Ljubljana Flight Information Region (FIR Ljubljana).
- The binding performance indicator for safety is the Effectiveness of Safety Management – EoSM.
- The binding performance indicators for the environment in the third reference period of 2020 – 2024 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 Eurocontrol. In 2020, the target delay value for the Republic of Slovenia was set at 0.23 minute per flight. The delay targets set for the Republic of Slovenia for the 2020 – 2024 reference period, including the 2020 target, were consistent or significantly superior to the EU-wide performance target. The actual value of this indicator for 2020 for the Republic of Slovenia was 0.001 min/flight and was better than the target indicator value as well as the actual value of this indicator for 2019, when it was 0.004 min/flight.

Commission Implementing Regulation 2019/317/EU provides for a gradual reduction of the average unit rate in Europe. The target for the Republic of Slovenia was for the average real unit rate for en-route air navigation services to be reduced by 2.7% in the third reference period (RP3, 2020 – 2024) compared to 2014, which as of 2019 translates to an actual annual reduction of 1.9% from 2020 to 2024. With the unit rate for en-route air navigation services standing at EUR 51.79 in nominal terms, taking into account the effect of the adjustment mechanism from the second reference period (RP2, 2015 – 2019), the Company and thus the Republic of Slovenia met the cost efficiency target in 2020 within the draft Performance Plan. With the stated unit rate for en-route air navigation services, the Company posted a loss of EUR 14,395,672 due to the COVID-19 epidemic and the consequent plunge in air traffic. The same situation is expected in 2021 as well, so the European Commission adopted Commission Implementing Regulation 2020/1627/EU on exceptional measures for the third reference period (2020 – 2024) of the Single European Sky performance and charging scheme due to the COVID-19 pandemic, which envisages the adoption of new EU-wide performance targets by 1 May 2021 and calls for a new Performance Plan 2020 – 2024, which will take into account the consequences of the COVID-19 epidemic crisis and redefine the unit rate.

The environment target for the third reference period is set at the level of countries and was 1.68% for the Republic of Slovenia in 2020. This means that actual flight trajectories within the Republic of Slovenia could only exceed optimal en-route trajectories by 1.68%. For this target to be achieved, the air navigation service provider 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 for the Republic of Slovenia was met in 2020, as the value was 1.51%.

The only safety key performance indicator at the international level, in respect of which the achievement of the appropriate value is prescribed and measured by EASA and for which 2020 represents the first year of the current reference period, is EoSM – Effectiveness of Safety Management. In 2020, the adequacy of the EoSM indicator was first measured by a fairly changed methodology, which, however, converges in terms of content and is harmonised with the commonly defined and globally used Standard of Excellence (SoE) methodology of Eurocontrol and CANSO. In the first year of measurement and monitoring by the EASA and the Civil Aviation Agency of the Republic of Slovenia, the EoSM indicator for 2020 reached the anticipated levels of maturity for individual assessment areas.

3 PROVISION OF AIR NAVIGATION SERVICES IN 2020

The Company provides air traffic management (ATM) / air navigation services (ANS) i.e. air navigation services in Slovenia in compliance with Slovenian and EU 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 Slovenia is bound. Based on the certificate (license) for the provision of air traffic management (ATM) / air navigation services (ANS) i.e. air navigation services, No. 37290-2/2020/1 - second issue of 23 December 2020, issued by the Civil Aviation Agency of the Republic of Slovenia, the Company performs air traffic services (ATS), air traffic flow management (ATFM), airspace management (ASM), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS), needed by airspace users, as well as installs, upgrades and maintains communication, navigation and surveillance systems for communication, navigation and surveillance services (CNS) for the purpose of air traffic management and control.

Based on the Flight School's Air Traffic Controller Training Organisation Certificate, No. 60404-13/2017/4 of 9 June 2017, issued by the Civil Aviation Agency of the Republic of Slovenia, Slovenia Control'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 2020 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 73/2010/EU and Commission Implementing Regulation 2017/373/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 traffic management and air navigation services to maintain the air traffic management service and air navigation service provider certificate and the requirements of the Single European Sky;
8. the achievement of the performance targets laid down in the 2020 – 2024 Performance Plan for the Republic of Slovenia.

In pursuing its principal activity in 2020, the Company implemented all the planned infrastructure-related activities, investments and projects in accordance with its annual and strategic goals.

3.1 AIR TRAFFIC SERVICES

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 the 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 2020, 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 Slovenia Control, 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 2020 were as follows:

Capacity

- Adequate staffing ensured the sufficient openness of sectors to traffic, which decreased by 57.66% on an annual level in the Dolsko sector. Regulation was required on two (2) occasions in 2020, resulting in combined delays of 188 minutes. The delays equalled 0.001 minute per flight.

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. The agendas of the meetings addressed the harmonisation of issues related to SECSI FRA enlargement due to inclusion of Northern Macedonia and Albania.

- 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:
 - global and regional epidemiological situation due to the COVID-19 pandemic;
 - 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.
- Cross-border prompt co-ordination and cooperation in analysis of the 2020 season with emphasis on circumstances related to the epidemiological situation and stormy weather and resulting deviations of main traffic flows in the region was performed. Because of the measures to prevent the spread of COVID-19, most meetings were held through tele or video conferences.
- 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.
- After obtaining the licence for surveillance control with separation standard of 3NM, it was successfully implemented.
- Activities for the implementation of instrumental procedures and terminal zone TMA Cerklje ob Krki continued.
- In accordance with the guidelines of the European Commission, a national plan for the implementation of PBN procedures was formulated.
- PBN instrument procedures for Portorož Airport were prepared and submitted to the Civil Aviation Agency of the Republic of Slovenia for approval.

Technical improvements

- In 2020, software was upgraded to enable safe and reliable air traffic management.
- Defects were eliminated and technical improvements to the FPDS implemented. The RDD was upgraded with minor fixes to help make it more intuitive and faster to use. Some minor bugs were rectified in the CPDLC system. Replacement of worn-out X servers is in progress.
- A thorough analysis of the STCA system was performed, on the basis of which a proposal for a new configuration was made. The number of unnecessary alarms has dropped drastically with the new configuration.
- Mode S airspace has been declared and systemically supported to the ground.
- In accordance with the changes to operating systems, the instructions for their use have been updated accordingly, and in the event of operational changes, appropriate extracts of the changes have been prepared.
- The simulator underwent some fixes and upgrades for even more stable operation by updating the aircraft behaviour and performance. The premises of the radar simulator serve as a backup location in case the ACC needs to be closed. A small technical intervention allows for switching the working positions of the radar simulator between operational and simulator mode.

The ATS regularly updated work documentation.

A detailed analysis of the air traffic data for 2020 is presented in Section 4 – Air Traffic Data.

3.2 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 surveillance 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 2020 was marked by the crisis caused by the COVID-19 epidemic, which did not affect the CNS/ATM in every (sub)domain of the department's activity (the details are described in the section on investments). The CNS/ATM must carry out all prescribed activities on devices

and systems despite the restrictions arising from the COVID-19 epidemic, since (regular and extraordinary) maintenance of systems and devices does not depend on the volume of air traffic in the Republic of Slovenia. All prescribed activities must be performed to maintain the operational status of the systems and devices.

So as to ensure that the department was able to carry out its activities, in 2020 its operational personnel undertook training for new endorsements on the licence for technical staff of air traffic control especially for the purpose of CSMC and contingency CSMC training and the ATSEP licences were introduced for working with the training system to uphold the competences of operational personnel, whereas the endorsements on the licences for technical staff of air traffic control were extended as appropriate with the support of the Operational Training Department – Flight School.

Despite the COVID-19 measures, 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 operational personnel of the CNS/ATM 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 participating in its future development. The CNS/ATM personnel take part in various expert teams of FAB CE, as well as in NDtech for CNS, which also encompasses a cybersecurity team.

In 2020, CNS/ATM, in addition to the upgrades of the VCS (Voice Communication System) systems, whereby their lifespan was extended, 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 2020 in terms of a series of investment projects (described in more detail in the chapter on investments), but also successfully developed (continued) 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 determining 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 is in the final phase of obtaining the operational status and which displays data transmitted from the meteorological (METEO) service of the Slovenian Environment Agency in individual airport control towers at the working positions of air traffic controllers.

In 2020, the CNS/ATM, in accordance with the contract concluded between the Company and the Ministry of Defence of the Republic of Slovenia, carried out all the activities necessary to maintain the operability of the CNS systems and devices at the military airport Cerklje ob Krki.

No major system failures (degradations) occurred in 2020 within the CNS/ATM remit that would affect air traffic safety or airspace capacity.

In 2020, the centralised System Monitoring and Control Centre at SMC ATCC (CSMC) carried out control under stricter COVID-19 conditions without interference resulting from infections of staff. The changed attendance regime is implemented so as to minimise the mixing of teams. Despite successful prevention, in 2020 activities were carried out to establish the so called contingency CSMC, and were completed in early 2021.

3.3 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 the necessary pre-flight 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, AID 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. The AID regularly maintained the document management system throughout the year. The key activities and achievements are presented below.

In 2020, the Aeronautical Reporting Office (ARO) processed 20,607 flight plans (hereinafter: FPL). In comparison with 2019 this means a decrease of 24%. The share of FPLs submitted via the eARO online portal equalled 49% of all processed flight plans, having grown by 7.9% over 2019.

Table 2: Processed flight plans (FPL) and FPL-related messages in 2020

	FPL Total	FPL eARO	PIB	DEP	ARR	DLA	CNL	CHG	REA	CC	HOSP	Total processed
JAN	1,642	855	651	239	246	212	147	31	26	600	48	4,697
FEB	1,537	775	637	244	241	112	125	20	38	590	55	4,374
MAR	935	542	443	123	113	57	76	24	19	309	27	2,668
APR	584	262	193	41	87	36	52	13	0	321	37	1,626
MAY	1,461	818	163	65	278	92	104	17	0	722	41	3,761
JUN	2,445	1,090	233	429	841	173	174	48	0	1,079	61	6,573
JUL	3,009	1,387	345	571	1,091	153	210	70	2	1,356	79	8,273
AUG	2,871	1,351	383	645	1,057	228	216	55	2	1,477	85	8,370
SEP	2,914	1,381	380	549	931	178	219	41	1	1,478	80	8,152
OCT	1,591	849	319	225	302	139	141	25	2	691	35	4,319
NOV	1,029	554	243	103	184	106	107	20	0	510	22	2,878
DEC	589	330	306	86	91	89	104	22	2	240	13	1,872
TOTAL	20,607	10,194	4,296	3,320	5,462	1,575	1,675	386	92	9,373	583	57,563

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 (Medical flight).

In 2020, 4,296 PIBs (Pre-Flight Information Bulletin) were issued. In comparison with 2019, the number of issued PIBs decreased mainly as a result of COVID-19 and the lower number of commercial flights from Ljubljana Jože Pučnik Airport.

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 2020, a decrease of only 4.9% over 2019. The response rate was 98.09%. There are more than 1,200 registered eARO users at present. A total of 15,499 operations involving eARO service use were recorded, which is nearly 50% less than in 2019. In 2020, a downward trend is noted in the overall use of the tool in the context of the eARO service.

In 2020, the Company continued to cooperate with the selected contractor in the development of a new eARO 2.0 application. The new application was developed by the end of 2020, with the handover and acceptance projected in the first half of 2021 after the completed penetration tests.

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. Changes will be included in the work process in the first half of 2021. A total of 4,083 NOTAMs were issued in 2020, a decrease of 1.1% compared to 2019. 4,890 PIBs were prepared and distributed, which is 16.4% more than in 2019. EAD hardware was upgraded.

Internal applications used in the NOTAM messaging process (NOTAM base, iDnevnik) were updated in 2020.

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 with Haren and Bretigny were performed. 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 2020. AMHS system connections through NewPENS network with Eurocontrol and the Austrian provider Austro Control and the Italian provider ENAV have been set up and are operating without any problems. Thus, the Company successfully uses all international AMHS connections to NewPENS. 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 73/2010/EU). 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 web site.

In 2020, the AIS signed an SLA (Service Level Agreement) on the supply of aeronautical information with all sports airports in the Republic of Slovenia.

Despite the difficult situation, the AIS managed to produce and release a revised VFR chart of Slovenia with the scale of 1:250,000. There is still considerable work with the changes to the SECSI FRA project (Free Route Airspace). Data publication and storage activities always have to be coordinated with the AIS units of neighbouring air navigation service providers as well as with Eurocontrol.

Also in 2020, the AIP closely cooperated in 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 July 2020, the AIS successfully accepted the new ADMT system software.

All 10 EAD terminals (ECIT) used in ARO for FPL, in NOTAM for NOTAM publication and in the AIP for producing AIP Slovenia and flight charts have been successfully replaced.

3.4 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 2020, the Company had 225 employees. The number of employees decreased by three compared to 2019.

Employment relationships concluded in 2020:

- In the Aeronautical Information Services Department, a development technologist was employed in April;
- In the CNS/ATM Systems Department, a development technologist was employed in June.

In 2020, the employment of two employees was terminated due to retirement:

- in January, an aeronautical information specialist – instructor in the Aeronautical Reporting Office (ARO);
- in May, an employee occupying the position of approach procedural controller – instructor in the Portorož Airport Air Traffic Control.

In 2020, employment relationship with three more employees was terminated:

- in January, an employee occupying the position of consultant in the Human Resources Department;
- in April, an employee occupying the position of air traffic control supervisor – instructor in the Ljubljana Area Control Centre;
- in September, an employee occupying the position of an assistant in the Operational Training Department – Flight School.

Table 3 below shows the structure of employees by groups of jobs in the Company as at 31 December 2020.

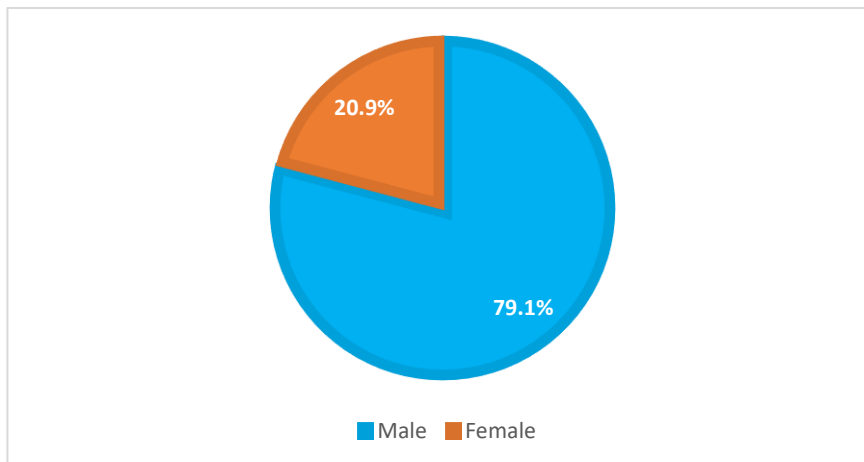
Table 3: Employee structure as at 31 December 2020

Employee Structure	
Air traffic control posts requiring a licence – licensed staff	
• Air traffic services posts – air traffic controllers	106
• Air traffic services posts – operators (FDT + FIS)	16
• Communications, navigation and surveillance posts	36
• Aeronautical information services posts	22
Total licensed staff	180
Non-licensed staff	45
Total employees	225

Employees structure by gender

In 2020, 20.9% of the Company's employees were women (47, which is 2 fewer than in 2019) and 79.1% (178) were men, which is 1 fewer than in 2019.

Figure 3: Employee gender structure as at 31 December 2020

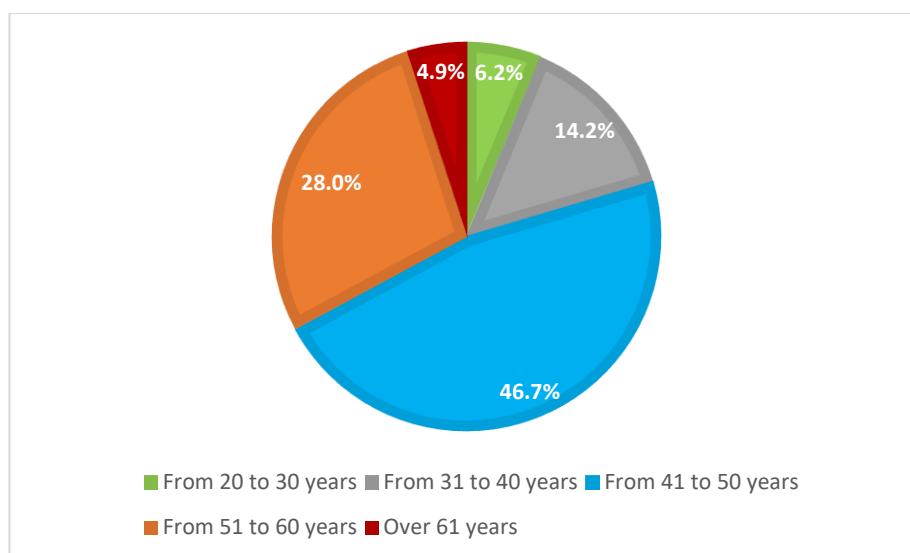


Employee age structure

The average age of employees in 2020 did not significantly change as compared to 2019 and amounted to 46.3 years (2019: 46). Almost half of all employees, specifically 46.7% or 105 employees, are aged between 41 and 50. Employees up to 40 years of age account for 20.4% (46 employees) and those over 51 account for 32.9% (74 employees).

Table 4: Employee age structure

Employee age as at	31 December 2020
From 20 to 30 years	14
From 31 to 40 years	32
From 41 to 50 years	105
From 51 to 60 years	63
Over 61 years	11
Total	225

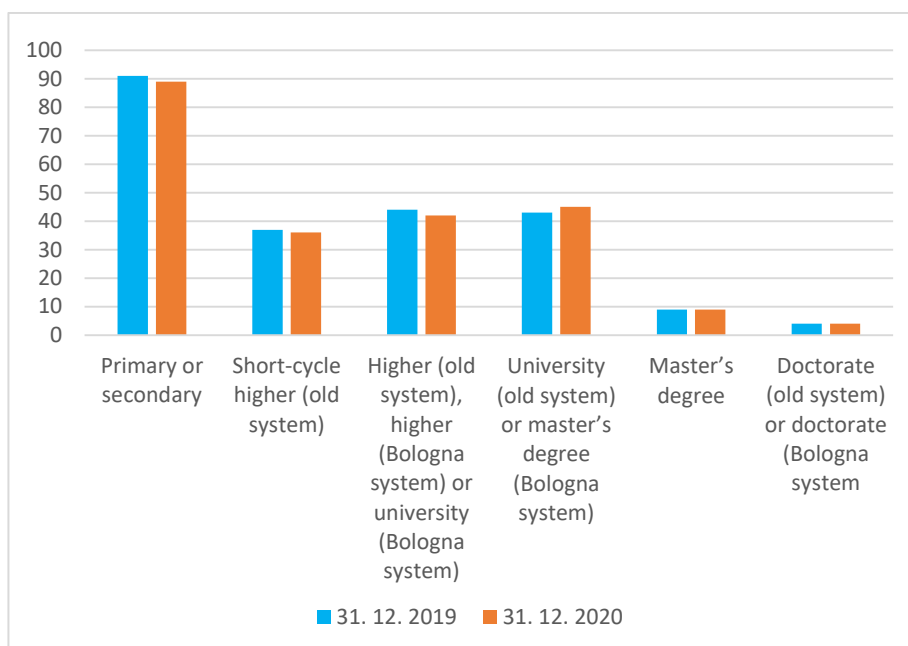
Figure 4: Employee age structure

Employee structure by education

The educational structure of employees did not change significantly compared to 2019 and preceding years. Due to retirements, the number of employees with primary, secondary and tertiary education decreased by the end of 2020, 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 2019	31 December 2020
Primary or secondary		91	89
Short-cycle higher (old system)	VI/1	37	36
Higher (old system), higher (Bologna system) or university (Bologna system)	VI/2	44	42
University (old system) or master's degree (Bologna system)	VII	43	45
Master's degree	VIII/1	9	9
Doctorate (old system) or doctorate (Bologna system)	VIII/2	4	4
Total		228	225

Figure 5: Educational structure of employees

3.4.1 Employee development

The Company's staff is one of the most important resources for the success, safety and business continuity of the Company's principal activity of air traffic management and control. Due to their know-how, skills, creativity, work experience and motivation high-quality personnel with specialised qualifications is the most important asset of the Company, therefore HR policies are directed into constant acquisition and maintenance of adequate employee competences with continuous education and knowledge upgrade.

Training, educating and upgrading 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. Taking into account the emergency situation due to the outbreak of the COVID-19 epidemic and the adopted hygienic, protective and organisational measures, as well as due to the negative impact of the epidemic on its operations, in 2020 the Company provided prescribed education and training of employees and in particular the necessary training of operational personnel to obtain and maintain work permits. In 2020, 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.

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.

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 are carried out in the form of meetings and via the internet portal, electronic mail and web page of the Company as well as through informal meetings. Because of the COVID-19 epidemic, in 2020 communication in the Company took place also by use of digital tools and video conferencing systems.

Care for employee health and safety at work

In 2020, the Company devoted a lot of attention to the health of employees, especially in terms of preventing COVID-19 infection. Employees occupying workplaces where physical presence in the workplace is not necessary were allowed to work from home. The Company regularly informed its employees about the protective measures taken in the Company and encouraged them to strictly follow them. It also provided all protective equipment and saw to regular disinfection of areas and premises.

In 2020, 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.

Taking into account the adopted epidemiological measures, in November all employees were provided remote lecture and training in occupational safety and health and fire protection and took a knowledge test.

The health group continued its activities in accordance with the adopted Occupational Health Promotion Strategy. Focus was placed on healthy and balanced nutrition, 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.

3.5 TRAINING AND COMPETENCE OF ANS OPERATIONAL PERSONNEL

The provision of air traffic management (ATM) / air navigation services (ANS) i.e. air navigation services at any level of demand in the airspace requires highly qualified operational personnel in air traffic services (ATS), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS). This is a very specific qualification of the Company's operational personnel, which is only in rare and generalised cases comparable to the qualification on the general labour market. The specificity of the Company's operational personnel skills is that more important and demanding considering the constant technological development in the field of air traffic management (ATM) / air navigation services (ANS) i.e. air navigation services. The high level of competence required of the Company's operational personnel is so unique that it is not directly available in the national labour market. This means that the Operational Training Department - Flight School within the Company needs to adequately train personnel so that they reach operational status with suitable competences, and then demonstrably maintain their competence at the high level required for the operational personnel to maintain competence to implement operational tasks and assignments.

In 2020, the COVID-19 epidemic (with the situation continuing in 2021) had a markedly negative impact on the training and maintaining the competence of the Company's operational personnel. The Operational Training Department - Flight School implemented measures to mitigate the negative effects of the COVID-19 epidemic in order to achieve the Company's training objectives and in particular to maintain the adequate competence of the Company's operational personnel, namely at the outbreak of the first wave of the epidemic:

- as air traffic all but disappeared, which made it completely impossible to assess the competence of air traffic controllers, a pan-European exception concerning the conditions for maintaining the competences of air traffic controllers was applied in the period from April to June 2020; on the basis of the safety assessment and the contingency procedures carried out, the endorsements of all air traffic controllers whose endorsements on the licence expired during this period were extended;
- due to the unavailability of medical facilities, a national (later pan-European) exemption was applied in the period from April to June, concerning the temporary exceptional extension of the validity of Class 3 medical certificates for all those air traffic controllers whose medical certificates expired in this period.

The Operational Training Department – Flight School was able to continue the process of assessing the competence of controllers in June through continuous communication and coordination with the national

competent authority and ongoing analysis of the epidemiological situation and the (already) sufficient increase in air traffic to the “new normal” level for those air traffic controllers whose endorsements on the license had been temporarily extended as an exception as well as for other air traffic controllers. Owing to this, a new normalised situation was established with regard to the air traffic controllers’ endorsements (already) at the end of the summer of 2020. At the same time, communication and coordination took place with the aero-medical examiner of the national competent authority as well as with the medical facilities carrying out examinations of the aeronautical staff. Thus, with regard to the medical examinations for obtaining Class 3 medical certificates as well as the validity of those certificates whose validity was temporarily extended by way of exception, a new normalised situation was established (already) at the end of summer 2020. As part of the implementation of all necessary measures, the Operational Training Department - Flight School thus continuously ensured the appropriate competence of all air traffic controllers (as a key part of the operational personnel) of the Company throughout 2020.

Because of the COVID-19 epidemic in 2020 (with the situation continuing in 2021), the Operational Training Department - Flight School had to introduce a series of urgent preventive measures to reduce the risks of adverse effects of the epidemic and in particular to prevent or curb the potential spread of the virus among the Company’s operational personnel (which could result in inability to provide services). Theoretical refresher trainings of air traffic controllers were carried out remotely as a prevention, on the basis of a previous safety analysis and the approval of the national supervisory authority. Refresher training and assessment of the competence of holders of FDT endorsements on the aeronautical information management license were also carried out at a distance. Refresher trainings for other operational staff in the field of aeronautical information management have been postponed until 2021 (which will consequently affect the increased workload of licence holders for aeronautical information management and respective training organisations). On the basis of a previous safety impact assessment and the approval of the national supervisory authority, the annual volume of the practical part of the refresher training of air traffic controllers greatly reduced in 2020, with a marked decline in air traffic in all segments falling within the Company’s area of competence. As a result, this volume increases in 2021 to ensure an adequate level of training of air traffic controllers (which will consequently affect the increased workload of air traffic controllers and training organisations in this regard). Due to the described preventive measures and the inability of cross-border cooperation with CNS equipment manufacturers, the refresher training of ATSEP operational personnel, otherwise planned for 2020, was postponed to the next three-year period (which will consequently increase the workload of ATSEP license holders and training organisation in this field). Preventive measures to manage the risks arising from the epidemic, related to the development, organisation and implementation of the remote training process, were also implemented in other areas within the domain of the Operational Training Department - Flight School.

Despite the markedly negative effects of the epidemic, the Operational Training Department - Flight School carried out its core mission of training operational personnel in 2020 and conducted the following trainings and activities for the needs of all three operational departments (ATS, CNS/ATM and AIS):

- assessment of previous qualification for the ADI/TWR rating and the APP rating for three (3) LJCE candidates;
- refresher training course in the field of practical training for OJTI and STDI for three (3) candidates;
- training for the rating of the Area Control Surveillance (ACS) rating 2020 for three (3) candidates suspended due to the COVID-19 epidemic;
- theoretical refresher training of TWR Cerklje controllers for seven (7) candidates;
- theoretical refresher training of TWR Portorož controllers for ten (10) candidates;
- theoretical refresher training of TWR Maribor controllers for eleven (11) candidates;
- theoretical refresher training of TWR Brnik controllers for twenty (20) candidates;
- theoretical refresher training of Ljubljana ACC controllers sixty-five (65) candidates;
- refresher training and assessment of the competence of the holders of a FDT endorsements on the aeronautical information management licence for fourteen (14) candidates;
- refresher training of the holders of a FIS endorsements on the air traffic management licence for fourteen (20) candidates;
- intensive general and aviation English course for fifty (50) candidates;
- training of holders of Barco endorsement on the ATSEP work licence prior to the introduction of the planned change in the functional system for five (5) candidates;
- training to obtain unit endorsement (LJLA) for the Area Control Surveillance (ACS) rating for three (3) candidates; training has been suspended due to the COVID-19 epidemic;
- training of holders of QAM endorsements on the ATSEP work licence prior to the introduction of the planned change in the functional system for five (6) candidates;
- practical training for the SUP operational supervisor at TWR Cerklje for one (1) candidate;
- training after the suspension of the privileges of the Portorož Airport with ADI/TWR and APP ratings longer than six (6) months for one (1) candidate;

- refresher training for assessor rating for six (6) candidates;
- on-the-job training for the SMC ATCC type rating of systems and equipment for four (4) candidates.
- In 2020, the following trainings were carried out at the Institute of Air Navigation Services (IANS), either in the form of trainings in Luxembourg or, a significant majority, remotely (due to the COVID-19 epidemic):
 - ASM-CAP-INTRO for one (1) candidate;
 - ATC-I-SAFNETS for two (2) candidates;
 - ATC-I-TCAS for one (1) candidate;
 - ATC-R-TCAS for one (1) candidate;
 - HUM-FAT-ATC for one hundred and twenty-four (124) candidates;
 - HUM-FAT-MGT for one (1) candidate;
 - HUM-STRESS for one hundred and twenty-nine (129) candidates;
 - HUM-SUP for one (1) candidate;
 - HUM-TRM-INTRO for one (1) candidate;
 - LEX-SES for two (2) candidates;
 - LEX-SES-E for two (2) candidates;
 - NMO-ATFCM-BASIC for one (1) candidate;
 - NMO-ATFCM-FE for two (2) candidates;
 - NMO-ATFCM-MSG-E for two (2) candidates;
 - NMO-ATFCM-MSG-TWR-E for one (1) candidate;
 - NMO-FMP-1 for twelve (12) candidates;
 - NMO-FMP-2-V for six (6) candidates;
 - NMO-FPL-INTRO for one (1) candidate.

In order to manage the risks associated with the COVID-19 epidemic, the Operational Training Department - Flight School, in cooperation with external specialist organisations for the training of operational personnel in the field of air traffic management (ATM) / air navigation services (ANS) i.e. air navigation services, i.e. the Institute of Air Navigation Services (IANS), which operates within the framework of Eurocontrol and Entry Point North, established a process and procedures for conducting training (postponed from 2020 to the future period) starting at the beginning in 2021 (January).

In (the summer of) 2020, the employment relationship of one employee at the Operational Training Department - Flight School was terminated by mutual agreement, the staff deficit has been compensated by the internal redeployment of the personnel of the Certification, Project Management and Personnel Training Department, so that the training organisation conducted its basic processes and core mission without interruption.

As a consequence, the (new) requirements of Commission Implementing Regulation 2017/373/EU imposing on the ATM/ANS service provider the obligation to establish complex processes for ensuring the competency of operational personnel, authorising operational personnel to carry out operational tasks and (at the end of 2019) the already implemented process of authorising operational personnel to perform operational tasks in the field of air traffic management (ATS) and aeronautical information management (AIS and ATS), and in the framework of tasks of technical personnel in the field of air traffic safety (CNS/ATM), the Operational Training Department - Flight School in 2020 comprises a strengthened function of monitoring the compliance of training processes and maintaining the competences of operational personnel. This is a key measure to maintain the certificate (licence) for air traffic controller training and at the same time maintain the certificate (licence) for the provision of air traffic management services (ATM) / the provision of air navigation services (ANS). The COVID-19 epidemic also had a negative impact on the pace of the implementation process of this training measure. Nevertheless, an alternative method of acquiring competences for compliance monitoring was developed and implemented, and the function will be strengthened by the end of 2020, and further consolidated in 2021.

3.6 AIR TRAFFIC SAFETY

Air traffic safety management and the directly related prioritisation of safety as one of the Company's goals 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 2017/373/EU 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 resolutions 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. In 2020, however, the absolute number of completed reports of occurrence decreased significantly owing to the COVID-19 epidemic, a direct result of a plunge in air traffic.

The Company continuously 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 376/2014/EU), 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 2020 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 Union 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 2020 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 are reflected in the fact that Company's safety management system had since 2 January 2020 until the end of the year fully met the requirements of Commission Implementing Regulation 2017/373/EU, Single European Sky legislation and national regulations. Based on the annual measurement and continuous monitoring of the key safety indicators by EASA, the Company's safety management system 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 identified good practices 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.

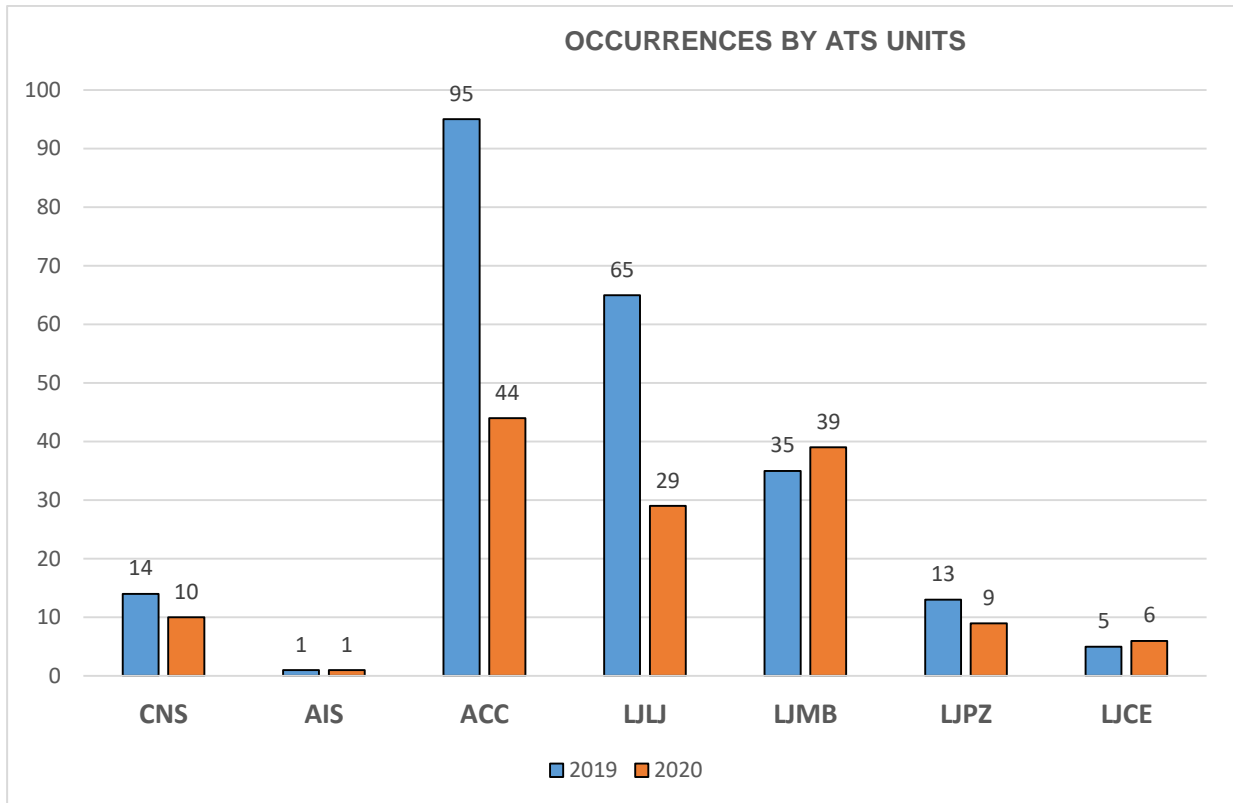
The implementation of measures in relation to the operational objective of safety achievement is reflected in the following facts:

- 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 2020.

Table 6: Number of reports filed by organisational unit of the Company in 2020

Organisational unit	Number of reports in 2020
Communications, Navigation and Surveillance/Air Traffic Management Systems – CNS/ATM	10
Aeronautical Information Department – AIS	1
Ljubljana ACC	44
TWR Brnik	29
TWR Maribor	39
TWR Portorož	9
TWR Cerklje ob Krki	6
TOTAL	138

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

Figure 6: Number of reports filed in 2019 and 2020 by organisational unit**Table 7: Number of reports filed by trend in 2020**

Slovenia Control trends	Number
AIUP: Airspace infringement – 376A10b	19
ADAC: Aircraft deviation from ATC clearance – 376A9	9
RI: Runway infringement – 376A7b	2
SMI: Separation minimal infringement – 376A2	0
FCOM: Failure of COM function – 376B3	0
FSUR: Failure of SUR function – 376B4	1
FNAV: Failure of NAV function – 376B6	6
BS: Bird strike – 376A5b	18
LI: Laser illumination – 376C3d	2

Figure 7: Number of reports filed by trend in 2020

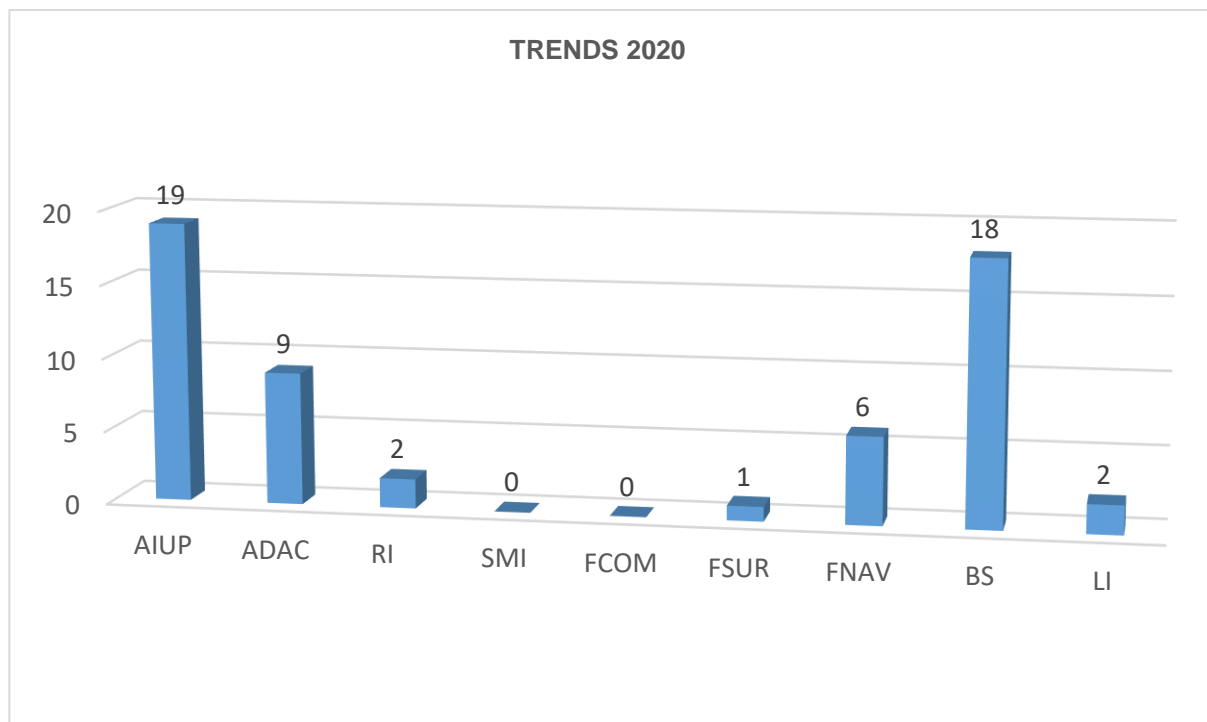
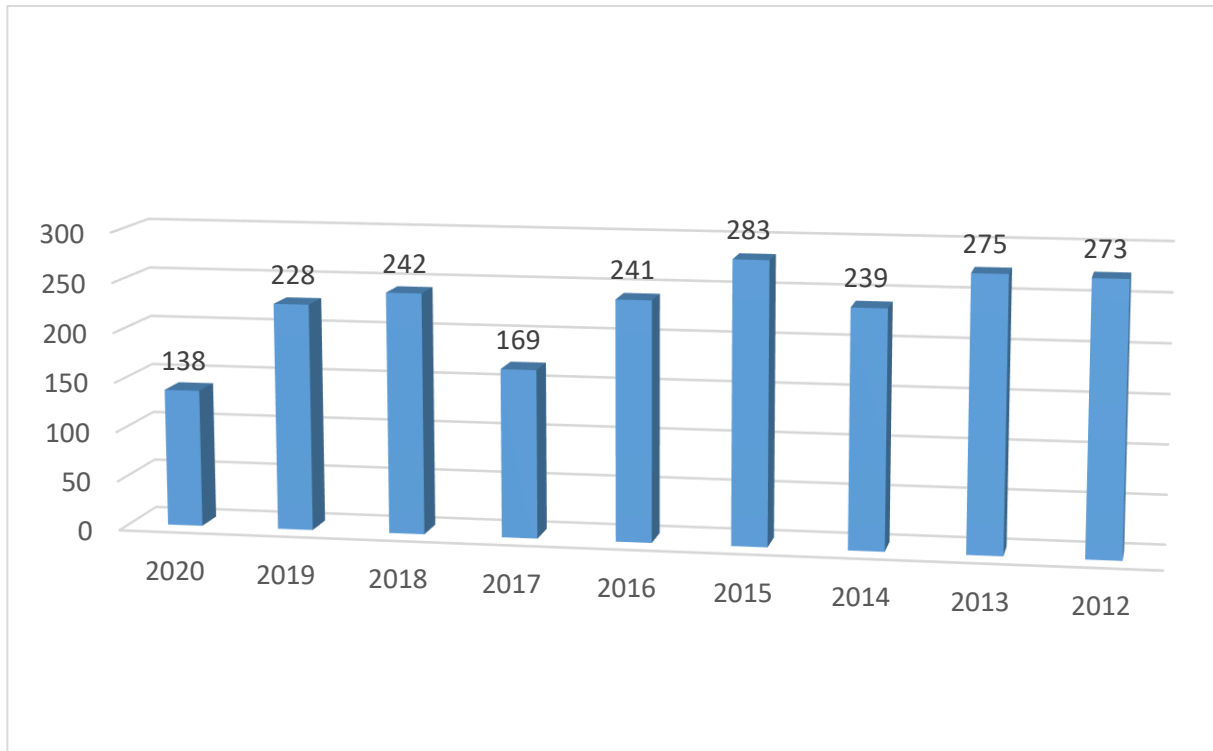


Table 8: Statistics of reports for the period 2012 – 2020

Organisational unit	2020	2019	2018	2017	2016	2015	2014	2013	2012
ATS	127	213	210	148	194	246	179	225	229
CNS/ATM	10	14	27	18	37	30	51	39	37
AIS	1	1	5	3	10	7	9	11	7
Ljubljana ACC	44	95	102	55	83	78	60	82	87
TWR Brnik	29	65	53	40	39	73	55	70	53
TWR Maribor	39	35	35	29	29	55	26	33	44
TWR Portorož	9	13	12	19	28	32	27	28	19
TWR Cerklje ob Krki	6	5	8	5	15	8	11	12	26
TOTAL	138	228	242	169	241	283	239	275	273

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:
 - SAFOPS: Safety of Operations,
 - ST: Safety Team,
 - SMTUG: 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.

Due to the circumstances arising from COVID-19, the implemented measures within the Safety Promotion operational objective were mostly implemented using electronic communications.

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

In 2020, the Company demonstrated compliance with the requirements for the provision of air traffic management (ATM) / air navigation services (ANS) i.e. air navigation services under the European regulatory framework of the Single European Sky and particularly Commission Implementing Regulation 2017/373/EU, which defines these common European requirements for air navigation service providers, as well as other equivalent or subordinate binding international and national regulations. For all

deficiencies identified during the regular control and inspections carried out by the national supervisory authority, including the findings of the national supervisory authority and the European Union Aviation Safety Agency – EASA, analyses of the cause of the deficiencies or inconsistencies were carried out and corrective action taken based thereon. The common requirements for the air traffic management (ATM) / air navigation services (ANS) provider, their content, nature, scope and details dictate that the Company strengthens the internal process of monitoring compliance with these requirements. Therefore, in 2020, the Certification, Project Management and Personnel Training Department planned appropriate organisational activities and intensive training of employees, necessary to intensify the implementation of the internal compliance monitoring process. The COVID-19 epidemic has made it virtually impossible to carry out the planned training at the Institute of Air Navigation Services IANS within Eurocontrol in Luxembourg, therefore the department introduced an alternative training method for compliance monitoring. The latter enabled intensification of the internal process of compliance monitoring to a limited extent already in the last quarter of 2020, and is planned to be further strengthened in 2021 by use of such method. In audits, the Company demonstrated compliance with the common requirements, since at the end of 2020, the existing service provider certificates for the exercise of privileges of air traffic flow management and airspace management, No. 37290-3/2019/7 of 20 December 2019 and the licence of the air navigation service provider to provide air traffic services (ATS), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS), No. 37290-2/2017/16 of 30 November 2017 were replaced by a new certificate No. 37290-2/2020/1 - second issue of 23 December 2020 in accordance with Commission Implementing Regulation 2017/373/EU, namely the certificate for air traffic management (ATM) / air navigation services (ANS) for the provision of air traffic services (ATS), air traffic flow management (ATFM), airspace management (ASM), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS).

In 2020, coordination took place with the national supervisory authority regarding the establishment of a new operational environment at Cerklje ob Krki military airport, which requires systemic adjustments by the Company. These include modernisation of airspace organisation for the operation of the said airport, aviation instrumental procedures for the airport, the provision of air traffic services in the framework of Air Traffic Control at this airport, training of air traffic controllers for the new operational environment of this airport, management and publication of information relevant to the users of this airport in the modernised operational environment and the accompanying process and procedural adjustments required by the establishment of this new operational environment at this airport.

3.8 QUALITY

The dynamics of activities of the ISO 9001 quality management system has somewhat changed due to the COVID-19 pandemic. The external audit was postponed from January to March 2021 in agreement with Bureau Veritas Certification accreditation firm. The certificate is valid until 18 January 2022. Part of the internal audits according to ISO 9001 was performed in the Company in October 2020, while the second part will be carried out in February and March 2021.

Last year, activities were launched in relation to the management of the documentation management system. It turned out that the Company had numerous internal acts and that the documentation management system needed to be redesigned. To this end, an expert team consisting of competent members has been set up to lead this project. The project will continue in 2021.

In 2020, the inventory of activities involved in the process of developing operational software and hardware and operational working environment started, which is carried out in the newly established department within the CEO's Staff. The inventory of this process is conducted with external expert support and will continue in 2021.

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.

3.9 SECURITY

In 2020, the bulk of work in the field of security included the coordination of measures to ensure the business continuity of the Company in the epidemic conditions and the provision of measures to prevent the spread of SARS-COV-2 or COVID-19. Especially in the first half of the year or in the first wave of the epidemic, considerable effort was invested by all departments and divisions of the Company in adapting operations and work processes to changed conditions. The provision of protective equipment posed a

particular challenge in the first wave of the epidemic. Regular coordination took place with the Crisis Staff of the Republic of Slovenia, the Civil Protection Headquarters and the relevant Ministry of Infrastructure.

Notwithstanding the above, objectives were achieved in the field of civil aviation security, critical infrastructure protection, fire safety, defence planning, protection of classified information and cooperation in the field of information security.

As regards civil aviation security, in 2020 the Company carried out 14 internal audits of physical and technical security and security culture in 2020 in accordance with the Annual plan of security system quality control and the Aviation Security Programme of the Republic of Slovenia. Through internal audits, the Company ensures the efficient and effective implementation of tasks in the field of civil aviation security to prevent acts of unlawful interference and reduces potential deviations from established standards, practices and procedures. In November 2020, the Civil Aviation Agency of the Republic of Slovenia carried out a quality control of civil aviation security, which did not reveal any significant deficiencies.

Pursuant to Article 24 of the Critical Infrastructure Act (Official Gazette of the Republic of Slovenia, No. 75/17) (hereinafter: Critical Infrastructure Act), the Company prepared an annual report of the critical infrastructure manager on ensuring the uninterrupted operation of critical infrastructure for 2019 and forwarded it to the competent authority for the sector, the Ministry of Infrastructure. In accordance with Article 12 of the Critical Infrastructure Act, the Company also prepared a Risk Assessment relating to the operation of critical infrastructure. The assessment was made in accordance with the Instructions on the risk assessment for the operation of the critical infrastructure of the Republic of Slovenia (Official Gazette of the RS, No. 7/19) and the acquired professional guidelines of the competent authority for the sector. In line with the Article 11, point three of the said Act, the Company obtained the consent of the competent authority for the critical infrastructure sector. In November 2020, the Defence Inspectorate conducted an inspection of the protection of critical infrastructure, which revealed no deficiencies.

In the field of defence planning, the records of assigned employees were regularly updated. The list of necessary material assets was supplemented or revised in accordance with the Material Obligation Act (Official Gazette of the RS, No. 87/01), and submitted to the competent defence administration. The Ministry of Defence informed the Company about further work and expectations for companies in the field of defence.

The Company amended the internal Rules on the Processing and Protection of Classified Information and obtained a positive opinion from the Office for the Protection of Classified Information (hereinafter referred to as: UVTP) regarding the adequacy of the Rules. In 2020, all employees were referred to basic training on access to classified information. Part of the training took place in the form of lectures, and part, due to the outbreak of the epidemic, through UVTP online classroom or the Ministry of Defence. In the field of protection of classified information, internal control was carried out, covering the implementation of the Classified Information Act (Official Gazette of the RS, No. 50/06 - official consolidated text, 9/10, 60/11 and 8/20) and the regulations issued on its basis, without revealing any significant deficiencies.

Based on the data obtained from the security risk assessment provided to the Company by the Ministry of the Interior, a revision of Security Plans was prepared as regards physical security. Throughout the year, the Company takes care of the appropriate level of knowledge of the physical security provider's staff, as a result of which individual physical and fire protection procedures were supplemented and upgraded, and security personnel underwent training in the use of technical facilities. The technical security system was upgraded with individual solutions aimed at improving its efficiency and facilitating the identification of potential deviations from the order in the protected area or other loss events.

In the field of fire safety, the planned investments were made at the location of the Maribor Airport control tower. The fire alarm system was modernised, and the security lighting was renewed. Regular inspections of active fire protection systems and other assets have been carried out. Refresher training for fire protection personnel and additional training for extinguishing incipient fires and evacuation were also carried out.

3.10 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. The Company is constantly introducing new electronic process flows and solutions

as e-support to operations, and at the same time strives to ensure the highest possible level of resistance to events and loss of information resources and building blocks on which they depend. The central theme in 2020 was certainly marked by sudden teleworking to such an extent that the interim measure proved to be a permanent reality for many employees. Technologically, the work was provided almost immediately, however, the difficulty arose in terms of past cost-effectiveness, as the Company did not need so many laptops prior this event to be able to meet all the needs of the employees. For this purpose, we provided a secure remote virtual environment for employees who do not have their own workstations/laptops, similar to the e-operation of the Supervisory Board. We will continue to invest in such access models in the future, as more and more processes are digitalised through process systems, forms and digital certificates, and the need for digitalisation of these procedures has led to external cooperation with external stakeholders (Ministry of Interior, Ministry of Defence).

In 2020, 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 are 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. In this context, the digitalisation of incoming mail (PosITA) or remote mail room have already been introduced, nextcloud instance for digital secure exchange of documentation with external stakeholders has been set up, collaboration and video conferencing systems (MS Teams, Webex) have been established, two key meeting rooms have been fitted with multimedia equipment, and key IT resources in continuous operation mode have been provided. The IT without a doubt responded to most office work with appropriate platforms, and where it was noted that processes could be optimised, new solutions were sought, such as ordering a digital signing system development.

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 the 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 2021 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 2021.

3.11 CYBER SECURITY

The Company switched to teleworking on 13 March 2020, due to which a large part of the activities carried out in cooperation with the IT in the first quarter of 2020 was aimed at checking the teleworking capacity and security settings related to such capacity, even though the Company always provides an appropriate level of network security and network access as well as applications for work. Due to the increased incidence of individual forms of cyber attacks, additional security measures and mechanisms were activated during the year. This proved to be a good strategic decision, as the potential exposure of the Company and online attack attempts have virtually disappeared. With this measure, the Company also disclosed and disabled the automated collection of login accounts and user data by the cloud giant - Microsoft, which as an intermediary redirected users by means of its mobile app (Outlook) through its cloud services.

In 2020, the Company continued to establish the cyber security centre. Following the set-up of the Cyber Security Department at the end of 2019, the Company introduced certain new technical solutions in 2020, despite the restrictions related to the COVID-19 epidemic. At the same time, also in collaboration with external contractual partners, the optimisation of various tools for detecting cyber incidents was underway. Gradually, the Company started equipping the dedicated premises for SOC, and wiring was set up for

workstations and other hardware. The Cyber Security Department strategically prepares and implements measures to ensure not only security but also cyber resilience to incidents.

In certain Company segments, this is already provided in the context of continuous operation, while elsewhere it is being implemented. In terms of cyber security, the Company successfully detected and mitigated some minor incidents and notified the competent authorities in accordance with the law. No major incidents occurred in 2020.

At the initiative of the Information Security Administration of the Republic of Slovenia (URSIV), the Company participated in the NATO Cyber Coalition 2020 (CC20) exercise as an exercise participant in the framework of the national scenario, due to its role as an operator of essential services. The Cyber Security Department was responsible for the activities as part of the exercise. In the scope of the exercise, the Company verified internal procedures applicable in the event of a cyber incident, examined the draft National Cyber Incident Response Plan (NOKI) as well as participated in and checked the procedures of cooperation with other stakeholders in the field of cyber security. As an operator of essential services, the Company reports incidents to the National Cyber Security Response Centre SI-CERT. As part of the exercise, we learned about the National Open Source Threat Intelligence and Sharing Platform (MISP) as a possible or future platform for the exchange of relevant information related to cyber incidents.

3.12 INTERNATIONAL COLLABORATION

3.12.1 Functional Airspace Block Central Europe – FAB CE

Through its representatives, who represent the Republic of Slovenia together with representatives from the Ministry of Infrastructure, in 2020 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.

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 2020, 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;
- implementation of the operational excellence program;
- joint planning of CNS infrastructure in FAB CE;
- completion of the “Navigation infrastructure optimisation” project;
- planning coordinated implementation of control infrastructure with ADS-B technology;
- 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;
- coordinated implementation of control of radar frequencies in the region;
- joint purchase of spare parts according to Some – in SLA.

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 2021, most of the activities listed above will continue, and, if possible due to the COVID-19 pandemic, in particular AAS-compliant activities (European Airspace Architecture Study) will be intensified. The main objectives are 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 provide for FABCE, Ltd. in the future as well, all the necessary professional support in implementation of public procurement as well as legal consulting, administrative support and financial services.

Since the outbreak of the COVID-19 pandemic, FAB CE air navigation service providers have been monitoring actual traffic and air traffic forecasts in FAB CE member states on a weekly basis. We also informed each other about the security measures taken to limit the spread of the COVID-19 pandemic, as well as the austerity measures and adjustments to the work and business system that we were forced to take because of the almost virtual halt of air operations in Europe.

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 2020, 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. In view of the fact that the European Commission prepared a comprehensive recast of the European Single Sky legislation (SES2+) in June 2020, according to which FABs are no longer mandatory, it is likely that it will stop the relevant procedure after the adoption of the recast Single European Sky legislation as appropriate legal basis will no longer exist.

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 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 2020, and the Company also provided expert assistance at the national level to the Legal Committee within the Ministry of Infrastructure.

3.12.2 Other collaboration

In June 2020, the European Commission presented an amended proposal for a Regulation of the European Parliament and of the Council on the implementation of the Single European Sky (recast) (i.e. SES2+). The Company regularly and actively cooperated with the representatives of the state in formulating official positions of the Republic of Slovenia on the proposal for this Regulation, and also attended the meetings with other FABs (Inter-FAB meetings in which representatives of all functional airspace blocks participate), where the positions of the member states on the draft text of each individual article were harmonised. The Company's representatives will continue to actively participate in the preparation of positions on the SES2+ proposal in 2021, especially during the Slovenian Presidency of the EU Council, both at the national level and as part of the coordination at Inter-FAB meetings, as the proposal radically affects some arrangements in the Republic of Slovenia, which, if adopted in the originally proposed form, would introduce major changes in Slovenian civil aviation, which the Republic of Slovenia opposes.

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. The 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 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.

3.13 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 2020, the Airspace Management Cell (AMC) of the Republic of Slovenia successfully participated in the preparation of the Adriatic Strike 2020 and Ramstein Guard 2020 military exercises, which were cancelled because of the COVID-19 pandemic. It was also involved in the preparation and execution of regular military tasks of the Slovenian Armed Forces called "Airweek", carried out as part of regular training together with the NATO members from the Aviano military base in Italy.

The Airspace Management Cell of the Republic of Slovenia cooperated with the Ministry of Infrastructure, the Slovenian Armed Forces and the Civil Aviation Agency of the Republic of Slovenia in finding solutions and possible changes to the current legislation on unmanned aerial vehicle operations (UAVs). Allied forces want to obtain a permit for FIR Ljubljana en-route flights with the Global Hawk (GH) UAV. Unfortunately, the current legislation does not allow this, but possible solutions are still being sought. Due to the COVID-19 pandemic, in 2020 the AMC realised most of its cooperation only through correspondence, whereas physical meetings with AMC military members were conducted only exceptionally.

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.

3.14 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 2020.

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.

Throughout 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 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 the 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.

Similar to the preparation of procedures for Cerklje ob Krki Airport, consultations were held to finalise the national plan for the implementation of PBN procedures in the Republic of Slovenia and consequently to consult with the users regarding the proposed PBN procedures for Portorož Airport (LJPZ).

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

In accordance with Commission Implementing Regulation 317/2019/EU, the Company cooperated with the Ministry of Infrastructure and the Civil Aviation Agency of the Republic of Slovenia in the process of annual consultations with service users regarding cost bases and unit rates for 2021, which were due to the COVID-19 pandemic held in written form. The Company and its representatives also participated in the process of formal consultation with service users and stakeholders regarding national cost bases and unit rates at the regular June and November meetings of the Enlarged Committee for Route Charges within Eurocontrol and the European Commission, which was held in the form of a video conference due to the epidemiological situation.

In 2020, despite the epidemic-related restrictions, the Company closely coordinated with the Slovenian Armed Forces as one of the users of its services, for the purpose of expanding the time and content scope of air traffic services within the aerodrome and future approach air traffic control at Cerklje ob Krki Airport as needed for air operations of the defence forces.

3.15 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 and provides infrastructure for air carriers. The Company is liable to public procurement rules under the Public Procurement Act (Official Gazette of the RS 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 RS 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.

The impact of the situation arising from the outbreak of the COVID-19 pandemic caused by SARS-CoV-2 virus was also reflected in the Company's public procurement procedures in 2020. The Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Official Gazette of the RS, Nos. 49/20, 61/20, 152/20-ZZUOOP, 175/20-ZIUOPDVE and 15/21-ZDUOP) (hereinafter referred to as: ZIUZEOP) and the Act Determining Temporary Measures to Mitigate and Remedy the Consequences of COVID-19 (Official Gazette of the RS, Nos. 152/20 and 175/20-ZIUOPDVE) (hereinafter referred to as: ZZUOOP) also interfered with the provisions of the ZJN-3. In this regard, the following is important from the Company's point of view:

- temporary increase of the threshold for the application of the law in the general field (Article 90 of the ZIUZEOP and Article 5 of the ZZUOOP),
- extension of deadlines for the implementation of the contract for the duration of the epidemic (Article 91 ZIUZEOP),
- increase of the threshold for the application of the small value procurement procedure according to Article 38 of the Act Determining the Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic (Official Gazette of the RS, No. 80/20, 152/20-ZZUOOP, 175/20-ZIUOPDVE, 203/20-ZIUOPDVE and 15/21-ZDUOP) (hereinafter referred to as: ZIUOOPE),
- introduction of a corrective mechanism if there is reason for exclusion from the public procurement procedure (Article 38 of the ZIUOOPE), and
- suspension of contractual deadlines and non-application of provisions on contractual penalties during the epidemic under Article 116 of the Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic (Official Gazette of the RS, Nos. 203/20 and 15/21-ZDUOP) (hereinafter referred to as: ZIUOPDVE).

A total of 244 contract award procedures were carried out in 2020, two of which ended without award, while 242 procedures for contracts were successfully concluded in the total value of EUR 7,061,173.39 excluding VAT.

All public procurement procedures carried out consisted of:

- 99 procedures for general contracts under the Public Procurement Act with a total value of EUR 1,333,237.00 excluding VAT that were successful, while two contracts were not awarded (101 in total);
- 143 procedures for infrastructural contracts under the Public Procurement Act with a total value of EUR 5,727,936.39 excluding VAT that were successful.

The tables below have been prepared on the basis of records which must be kept by the Company pursuant to the ZJN-3. The said records contain the data about all contract award procedures of the Company in 2020. Table 9 includes three procedures in the total amount of EUR 341,469.23 excluding VAT and concluded contracts with the subject of procurement which is considered to be an exception under the ZJN-3 and to which the ZJN-3 does not apply (Article 27 of the ZJN-3).

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

Public procurement procedures, including simplified procedures, in 2020				
Type	Procedures	Not submitted	Submitted	Value in EUR
Goods	47	1	46	302,512.00
Construction	0	0	0	0.00
Services	54	1	53	1,030,725.00
	101	2	99	1,333,237.00

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

Public procurement procedures, including simplified procedures, in 2020				
Type	Procedures	Not submitted	Submitted	Value in EUR
Goods	49	0	49	2,447,923.65
Construction	2	0	2	43,000.00
Services	92	0	92	3,237,012.74
	143	0	143	5,727,936.39

4 AIR TRAFFIC DATA FOR 2020

4.1 INTRODUCTION

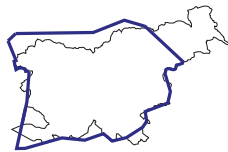
The Company provides air navigation services in the Slovenian airspace (Ljubljana FIR) on behalf of the Republic of Slovenia in accordance with the Act on the Provision of Air Navigation Services. The area of responsibility in which the Company provides air navigation services is defined in the Act on 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



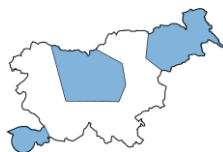
The provision of air navigation services in the en-route phase in the Dolsko sector, which includes part of the Austrian, Italian and Croatian airspaces, falls within the responsibility of the Ljubljana Area Control Centre, while the provision of those services in the Mura sector is the responsibility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

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

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

$$\textit{The number of terminal service units} = \left(\frac{\textit{MTOW}}{50} \right)^{0.7}$$

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.

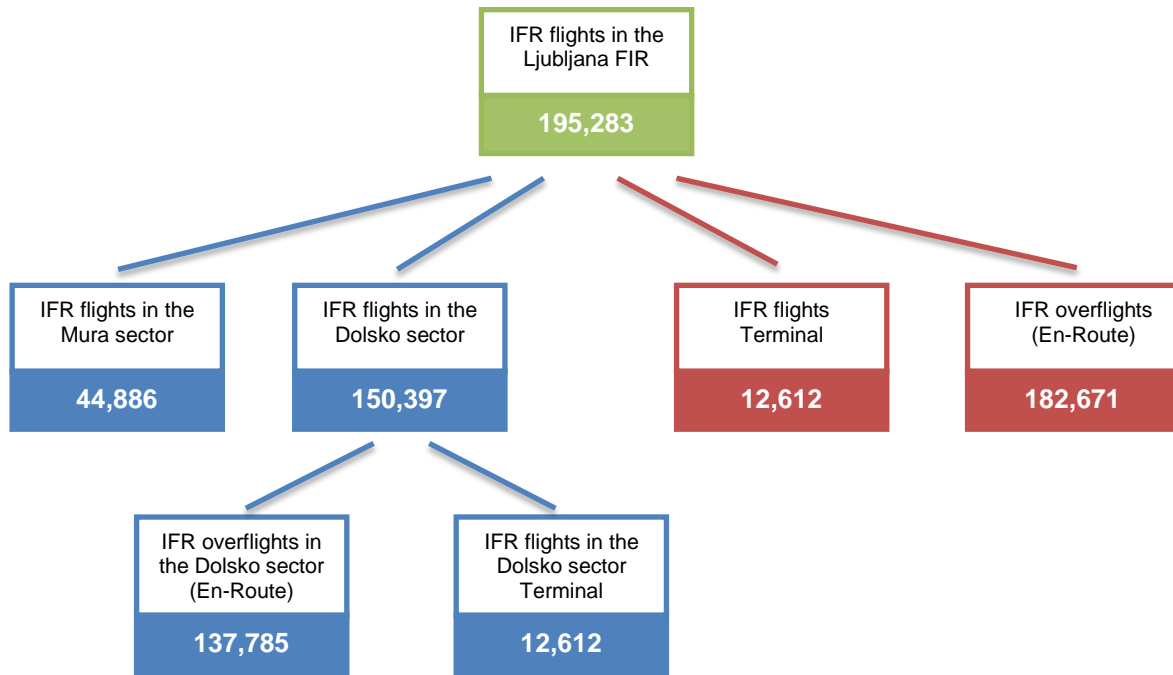
4.2 AIR TRAFFIC ANALYSIS

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 2020, a total of 209,726 flights were recorded in the Slovenian airspace, of which 14,443 were VFR (visual flight rules) and 195,283 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

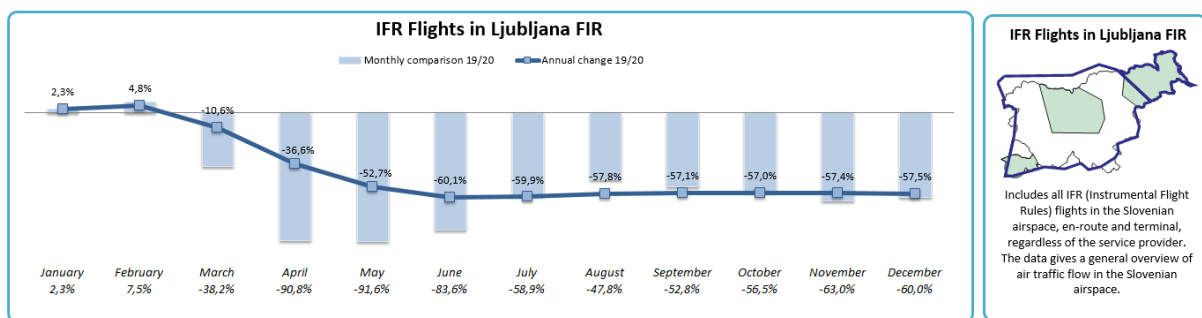


In 2020, the volume of air traffic was extremely negatively affected by the COVID-19 pandemic, which due to the countries' efforts to limit the spread of COVID-19 and the resulting restrictive measures, had an impact on travel opportunities and thus the decline in demand for air transport. This is reflected in data about air traffic in Slovenian airspace both in terms of the number of flights and the number of service units.

Ljubljana FIR

Compared to 2019, the total number of IFR flights in the Republic of Slovenia in 2020 fell by 57.5%, while at the EU-28 level it dropped by 56.4%.

Figure 14: IFR flights in the Ljubljana FIR



Source: Eurocontrol (STATFOR), Company 2021

Table 11 below shows the trend in the total number of IFR flights in the Republic of Slovenia from 2012 to 2020. 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.

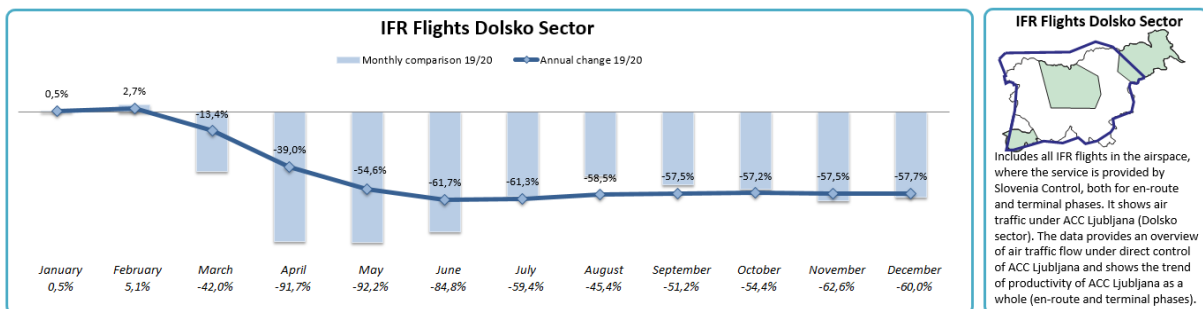
Table 11: Number of IFR flights in the Republic of Slovenia 2010 – 2020

Year	Number of IFR flights in the RS	IFR flights growth rate in the RS (in %)	IFR flights growth rate in the EU-28 (in %)
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 %
2020	195,283	-57.5 %	-56.4 %

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 2020 decreased by -57.5% over 2019.

Figure 15: IFR flights in the Dolsko sector



Source: Eurocontrol (STATFOR), Company 2021

Table 12 shows the trend in the total number of IFR flights in the Dolsko sector from 2010 to 2020.

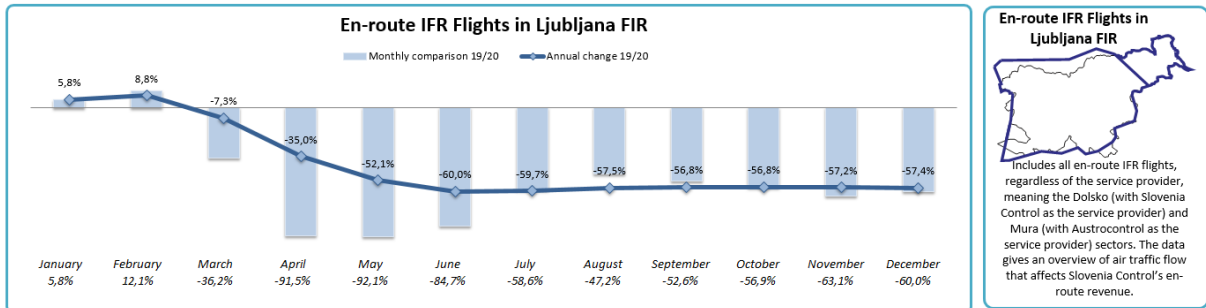
Table 12: Number of IFR flights in the Dolsko sector 2010 – 2020

Year	Number of IFR flights in the Dolsko sector	Growth rate (in %)
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 %
2020	150,397	-57.6 %

4.2.1 En-route traffic

Compared to 2019, the number of en-route flights decreased by 57.4% in 2020.

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



Source: Eurocontrol (STATFOR), Company 2021

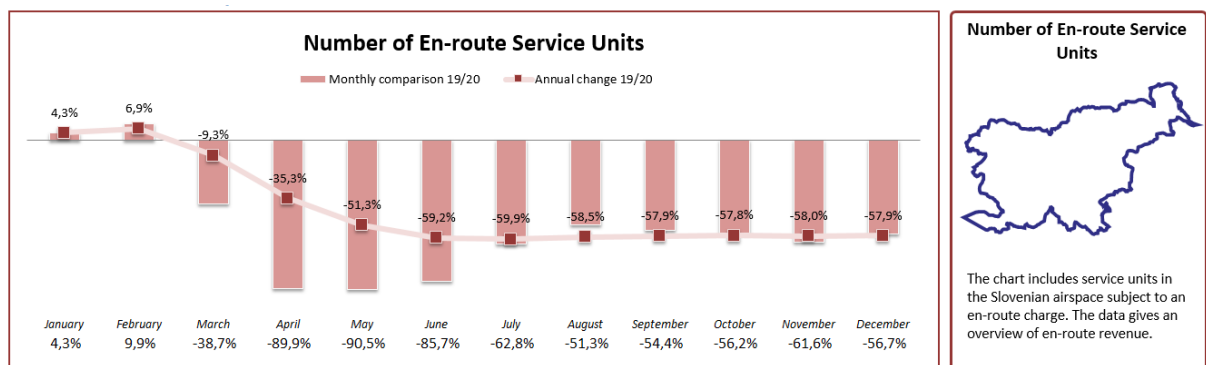
Table 13 shows the trend in the number of en-route IFR flights in the Ljubljana FIR from 2010 to 2020.

Table 13: Number of en-route IFR flights in the Ljubljana FIR 2010 – 2020

Year	Number of en-route IFR flights in the Ljubljana FIR	Growth rate (in %)
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 %
2020	182,671	-57.4 %

Data on FIR Ljubljana en-route traffic by the number of service units also show a drastic drop in the volume of air traffic, which decreased by 57.9% compared to 2019 and was even 27.7% lower than ten years ago, i.e. 2010, as shown in Table 14 below.

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



Source: Eurocontrol (CRCO), Company 2021

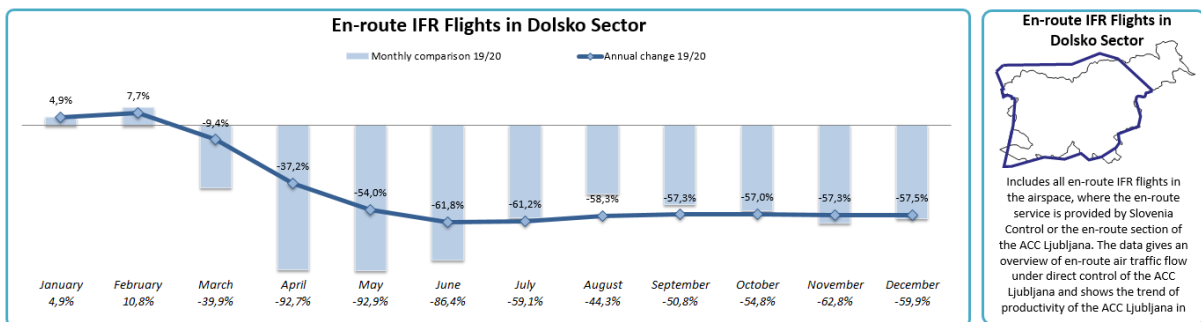
Table 14 below shows the trend in the number of en-route service units in 2010 – 2020.

Table 14: Number of en-route service units 2010 – 2020

Year	Number of en-route service units	Growth rate (in %)
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 %
2020	263,994	-57.9 %

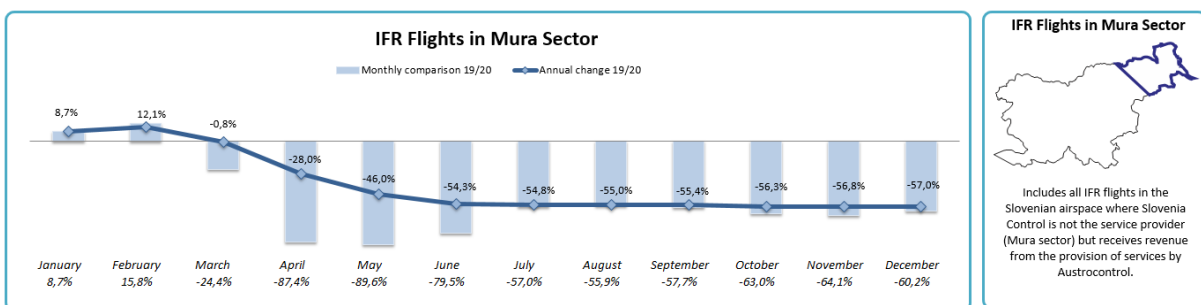
The trends in the number of IFR flights and the number of service units are not always consistent, as the number of en-route service units depends on the distance flown and the weight of the aircraft. Namely, the routes flown in the Dolsko sector are longer than those in the Mura sector.

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



Source: Eurocontrol (STATFOR), Company 2021

Figure 19: En-route IFR flights in the Mura sector



Source: Eurocontrol (STATFOR), Company 2021

In 2020, the number of IFR flights in the Dolsko sector decreased by 57.4%, and by 57.0% in the Mura sector, compared to 2019. In 2020, traffic in terms of the number of service units in FIR Ljubljana thus shrank by 57.9% over the preceding year.

Table 15 shows the trend in the number of en-route service units in the Dolsko sector and the Mura sector from 2010 to 2020.

Table 15: Number of en-route service units in the Dolsko sector and the Mura sector 2010 – 2020

Year	Number of en-route IFR flights in the Dolsko sector	Growth rate (in %)	Number of IFR flights in the Mura sector	Growth rate (in %)
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 %
2020	137,785	-57.5 %	44,886	-57.0 %

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 2020, the Ljubljana Area Control Centre, which is responsible for the Dolsko sector, recorded a 57.66% decrease in traffic compared to 2019. A total of 150,397 flights were made in the Dolsko sector in 2020, with an average of 411 IFR operations per day (in 2019: on average 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 – 2020

Year	Maximum figures in previous years			
	The highest number of IFR operations per hour was recorded on 8 August 2020 between 08.00 and 09.00 UTC	The highest number of IFR operations per day was recorded on 22 August 2020	The highest number of IFR operations per week was recorded from 17 August 2020 to 23 August 2020	The highest number of IFR operations per month was recorded in August 2020
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
2020	76	960	5,211	22,915

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 10,790 sector hours were recorded in 2020. In 2020, an average of 29.5 sector hours were recorded per day, constituting a decrease of 32.6% compared to the year before. In 2020, the Ljubljana Area Control Centre recorded a maximum of 47 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 – 2020

Year	Total number of sector hours	Growth rate (in %)	Maximum daily number of sector hours	Growth rate (in %)	Average daily number of sector hours	Growth rate (in %)
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 %
2020	10,790	-32.6 %	47	-27.7 %	29.5	-32.6 %

In 2020, the Ljubljana Area Control Centre performed a total of 14,443 VFR operations, marking a 18.6% drop compared to 2019.

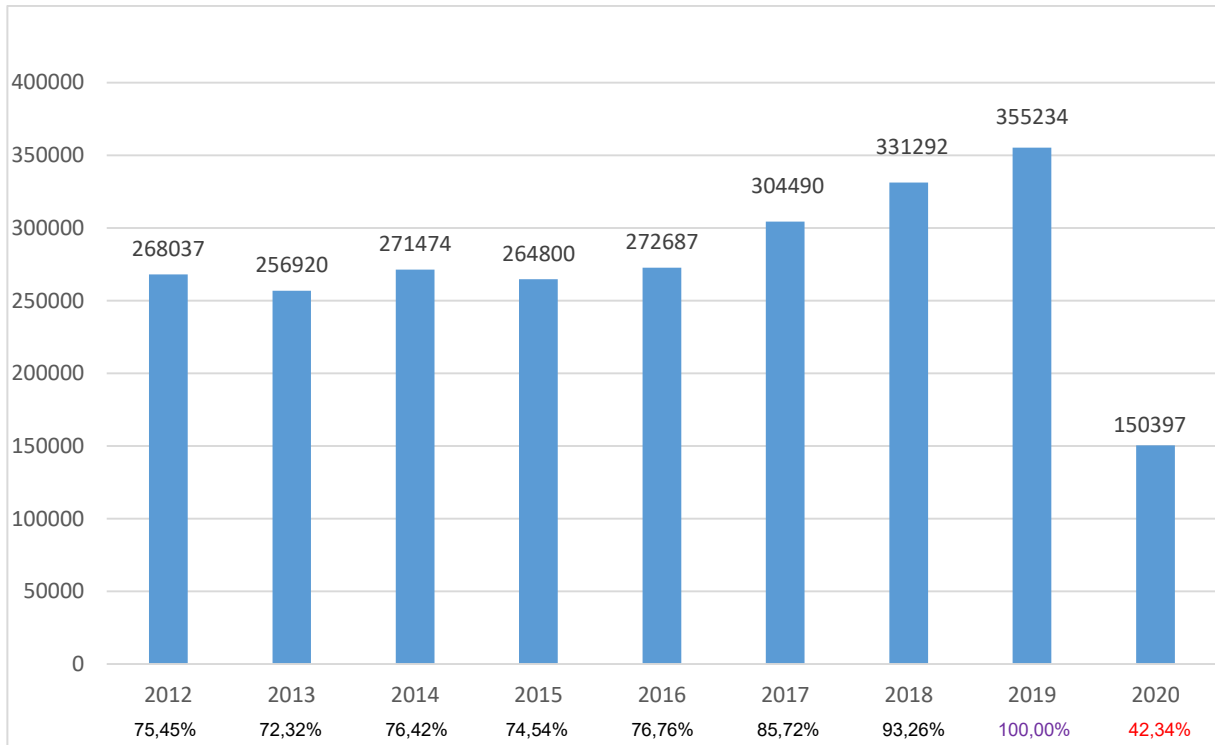
Table 18: Number of VFR flights in the period 2010 – 2020

Year	Number of VFR flights	Growth rate (in %)
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 %
2020	14,443	-18.6 %

Forecasts and actual traffic in the Dolsko sector in 2020

Traffic was far below expectations in 2020. Although forecasts predicted a growth of 3.64%, a decrease of 57.5% in IFR traffic over 2019 was recorded at the end of the year. The main reasons are the outbreak of COVID-19 pandemic and the related measures imposed in Slovenia and globally, as well as the failure of the domestic air carrier.

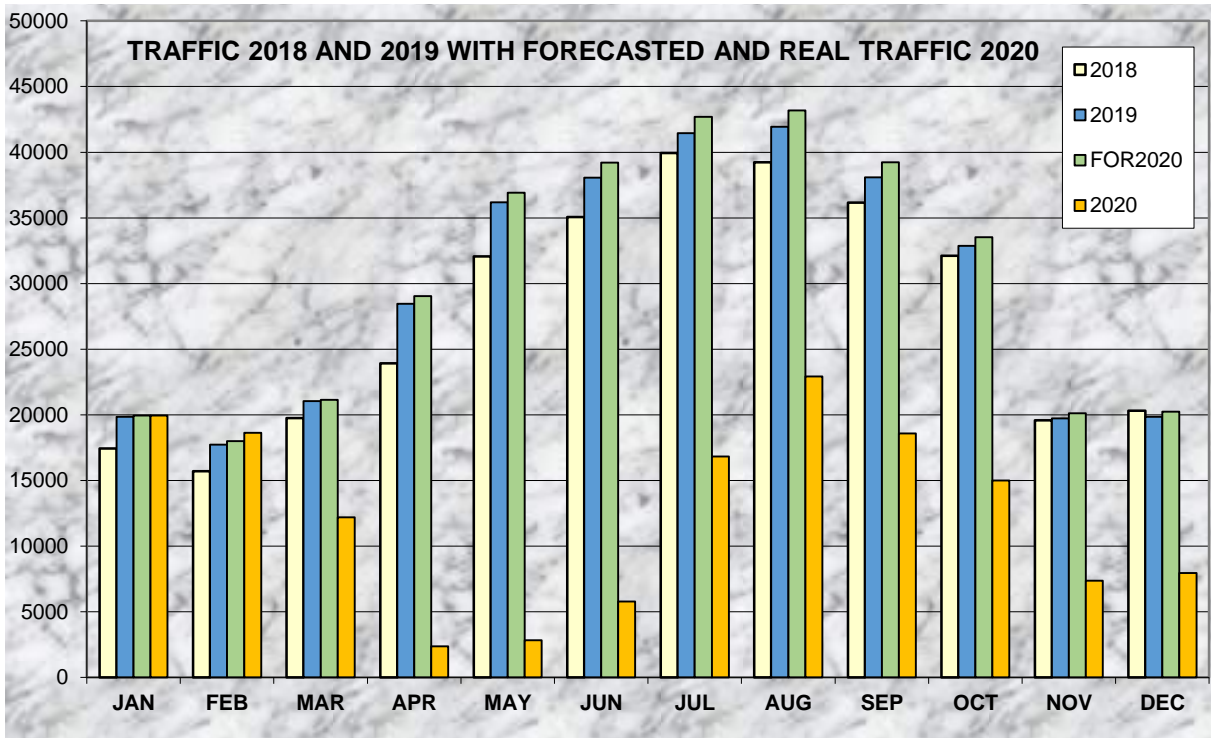
Figure 20: Traffic from 2012 to 2020



Source: Company 2021

The comparison in Figure 20 is made with 2019 as the 100%.

Figure 21: Traffic in 2018, 2019, forecasts for 2020 and actual traffic in 2020



Source: Company 2021

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.

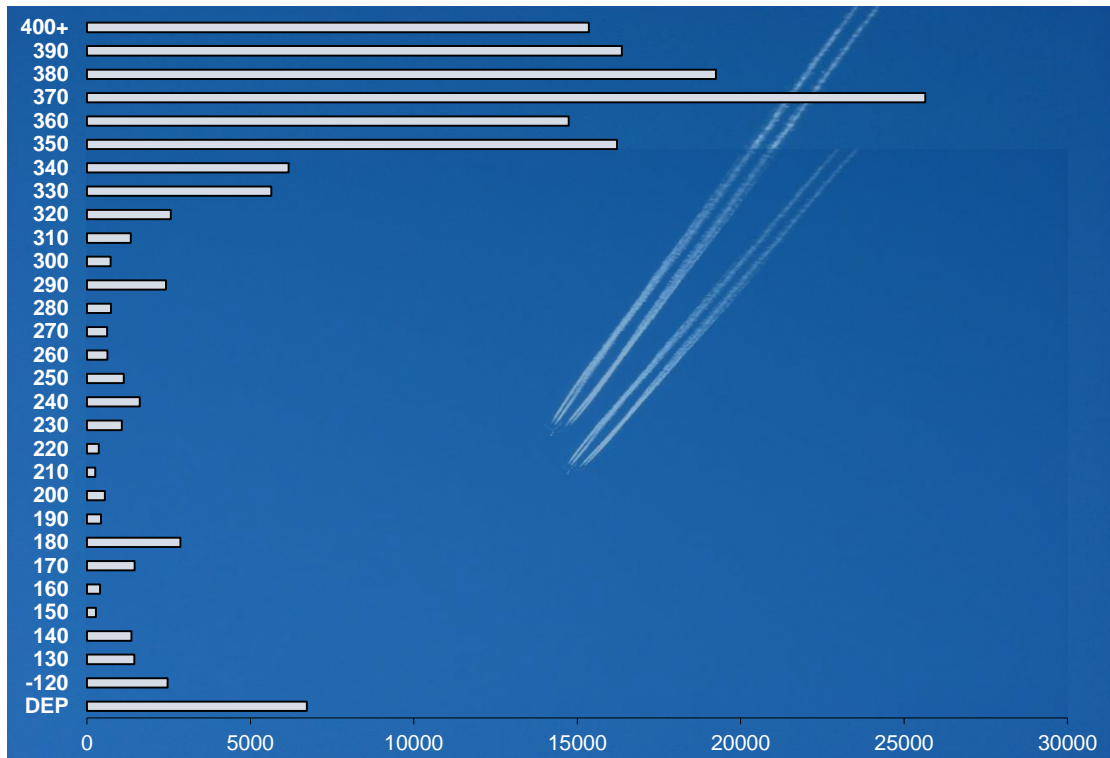
The DEP column (Figure 22) includes all IFR operations started at domestic airports. The data for FLs below 120 and FLs above 400 is aggregated for the sake of clarity. The vertical distribution of aircraft is most clearly illustrated by the fact that 17.01% of all IFR traffic is concentrated at a single flight level (FL 370). In previous years, this figure was slightly lower (14 to 15%), and in 2020, where there was no “crowd”, it serves as a better indicator of the traffic share that would use FL370.

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

- above FL280 83.84% (2019: 84.04%; 2018: 81.61%; 2017: 80.39%; 2016: 79.75%);
- below FL280 16.16% (2019: 15.95%; 2018: 18.39%; 2017: 19.61%; 2016: 20.25%).

A comparison with 2019 shows that the traffic decline in both airspace segments was equal.

Figure 22: Traffic by flight level in 2020 in the Dolsko sector

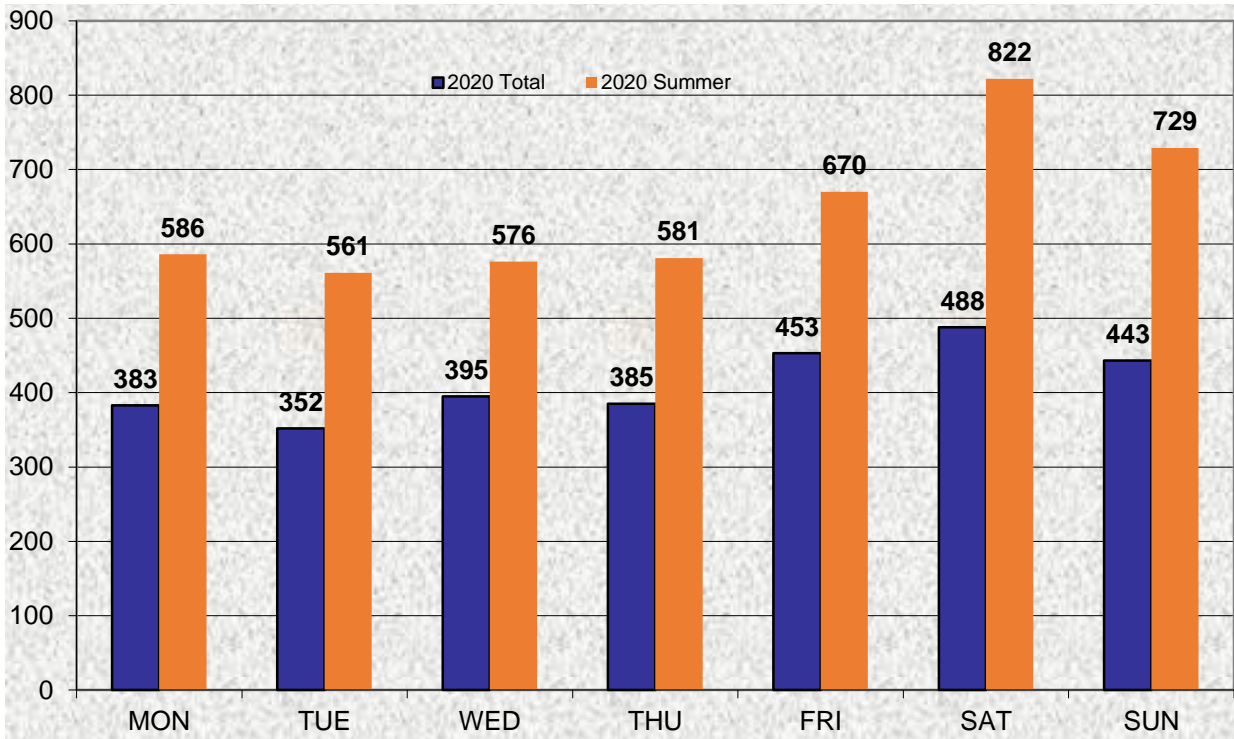


Source: Company 2021

Breakdown of traffic by day

The number of IFR flights in the Dolsko sector is evenly distributed over the days as shown in Figure 23. Blue columns show the average number of flights throughout the year 2020. The orange 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 395 IFR flights per day and maximum 959 flights per day) when the impact of COVID-19 epidemic was in fact the lowest.

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

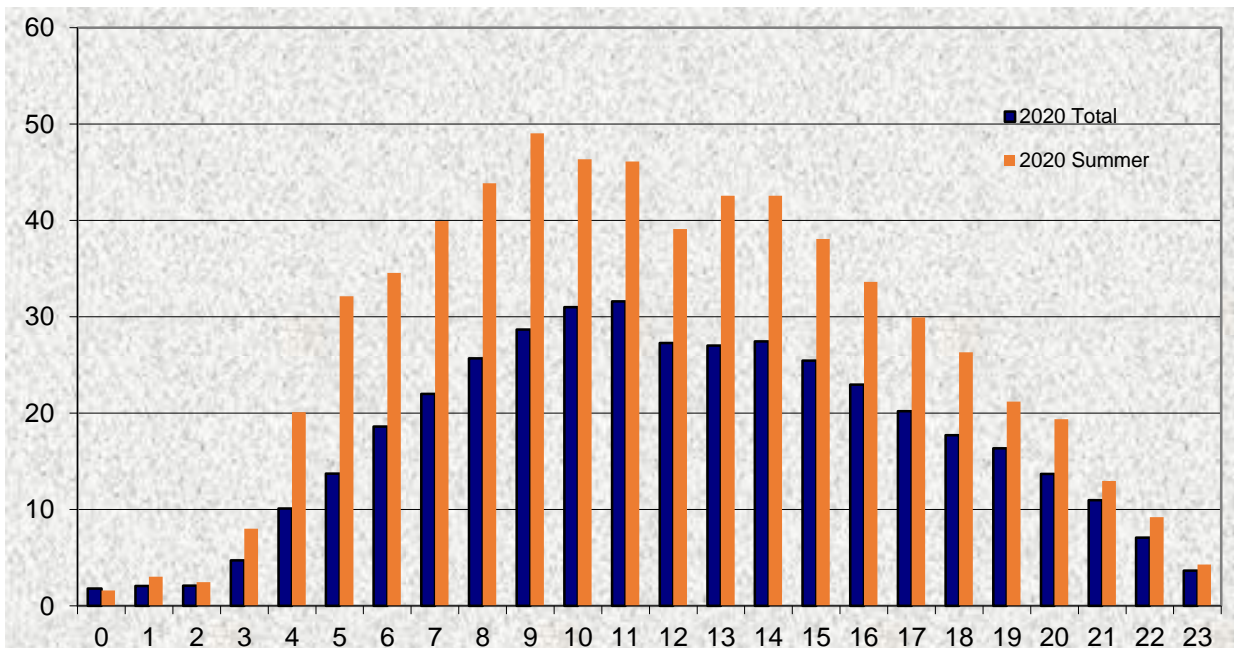


Source: Company 2021

Average number of IFR flights in the Dolsko sector by hour

In 2020, traffic by hour was distributed as shown in the chart below (blue columns in Figure 24). It should be taken into account that the average is displayed, and the pattern varies between days of the week, and that seasonal time changes (March - October), according to which airports open and passengers travel, affect the year-round picture.

Figure 24: Traffic by hour (UTC)

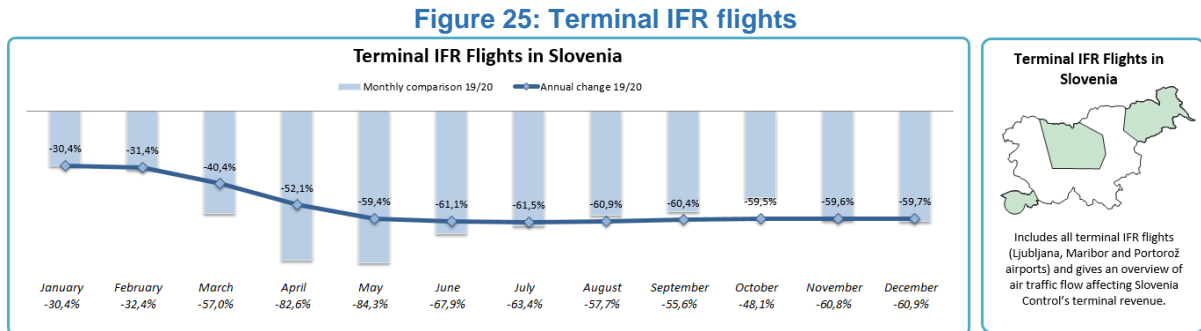


Source: Company 2021

In the summer season, traffic is distributed by hour as shown by the orange columns in the chart above. The chart demonstrates the hourly average and not the total number of operations. Due to the impact of the COVID-19 epidemic on air traffic, the chart is of informative nature only and it is not possible to draw conclusions about traffic trends on its basis.

4.2.2 Terminal traffic

Owing to the impact of the COVID-19 epidemic, the number of terminal IFR flights plummeted in 2020 as the Slovenian airline Adria Airways, d. o. o., stopped operating, as is evident from the chart below.



Source: Eurocontrol (STATFOR), Company 2021

The table below shows the trend in the number of terminal IFR flights from 2010 to 2020.

Table 19: Number of terminal IFR flights 2010 – 2020

Year	Number of terminal IFR flights	Growth rate (in %)
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 %
2020	12,612	-59.7 %

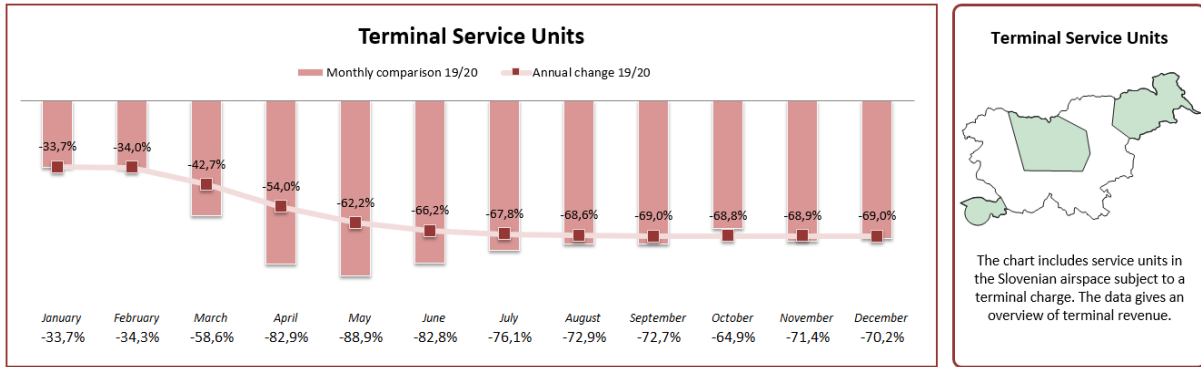
The basic traffic data obtained from individual aerodrome control units is shown in Table 20.

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 2020	1,995	2,193	10,269	/
Average number of IFR operations per day	5.4	6	28.1	/
Highest number of IFR operations in a day	33	31	69	/
Number of VFR in 2020	12,460	25,305	9,275	6,256
Average number of VFR operations per day	34	69.2	25.3	27.7
Highest number of VFR operations in a day	179	282	108	129

Compared to 2019, the number of terminal service units dropped by 69.0% in 2020. 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 2020.

Figure 26: Terminal service units



Source: Eurocontrol (CRCO), Company 2021

Table 21: Number of terminal service units 2010 – 2020

Year	Number of terminal service units	Growth rate (in %)
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 %
2020	3,910	-69.0 %

4.2.3 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.

In 2020, air traffic declined in all segments due to the effects of the COVID-19 epidemic. Total IFR traffic decreased by 57.5%, in the Dolsko sector by 57.7% and in the Mura sector by 57.0%. The comparison of

IFR flights in the en-route phase and in the terminal phase shows a decline of 57.4% and 59.7% respectively. By comparison, the number of IFR flights in the EU-28 fell by 56.4% in 2020.

Number of service units

The number of en-route service units followed the trend in traffic (2020/2019: -57.9%). In 2020, the number of terminal service units fell by 69.0% compared to 2019.

4.3 ANALYSIS OF REGULATIONS AND DELAYS IN 2020

In 2020, the Ljubljana Area Control Centre (Ljubljana ACC) had two (2) regulations (in 2019: eight (8)). This resulted in minimal delays in air traffic (0.001 min/flight) that totalled 188 minutes. The regulations were caused by the primary radar failure. The sector configurations and the planning of operational personnel were optimal.

5 INVESTMENTS

In 2020 the Company completed the Datalink (CPDLC) project i.e. the data transfer of the ground-air-ground communication between air traffic controllers and pilots of aircraft in the air, with the provision of the second functional provider. The implementation pursues the technological progress of providing technical support to the air traffic management and control process and ensures compliance with legal requirements (Commission Regulation No. 29/2009/EC) after the implementation of such facilities.

The first phase of a major investment project Slovenia Wide Area Multilateration System (SLOWAM) was successfully completed, which represents a completely new control chain in Slovenian airspace and thus significantly increases the performance and robustness of aircraft detection and tracking aircraft in the air. 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. Installation of receiving or receiving and transmitting system antennas at nineteen (19) locations throughout 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. In 2020, the project of WAM system upgrade in the east of Slovenia was approved. As four new sites will be set up, the Company will gain new - redundant coverage in this part of Slovenia and thus break the dependence on Koralpe radar data. Due to the COVID-19 epidemic, the process of site selection and inspection has been delayed, so the final selection and confirmation of sites as well as the continuation of the project are planned for 2021.

In cooperation with Telekom Slovenije, d. d., the Company carried out a demanding switch of optical and copper cables in the area of the Ljubljana Jože Pučnik Airport. Two independent telecommunications (TC) routes to the ATCC facility were provided so that in the coming years the construction of various facilities in the vicinity of the airport will not cause major disruptions to the Company's TC lines, MPLS connections and internal VoIP and public telephone connections.

A major repair of the VHF/UHF antenna system on Krim was carried out, involving the replacement of dipoles, antenna cables and connectors. A joint public tender in the scope of FABCE, Ltd. resulted in a more favourable purchase of spare parts, iPOS working positions for the VCS system and the R&S 4200 radio station.

Due to the COVID-19 epidemic, in accordance with the contingency plan, the Company established suitable premises to ensure the continuity of the Ljubljana ACC services in the simulator premises of the ATCC facility, which allows temporary relocation of air traffic controllers to the simulator premises using simulator working positions. Similarly, contingency operational premises were established in the ATCC facility for the needs of the aeronautical information services, and in the technical premises of TWR Brnik for the needs of CSMC.

At the end of the year, all frequency channels for frequency conversion to 8.33 kHz were prepared for the SAFIRE base and the preparations were completed for the radio stations system in TWR Portorož and TWR Maribor for the conversion from 25 to 8.33 kHz channel spacing between frequency channels.

In 2020, the project for providing independent electricity supply to all users within the Company continued, including the airport control tower and devices in the area of Maribor Edvard Rusjan Airport. 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 2020, hardware was purchased - servers that will replace most of the current hardware on operating systems. For this purpose, the preparation of documentation and testing of equipment in the OFFLINE environment began. The replacement of servers in the operating environment is scheduled for the second half of 2021. The Company has started preparing specifications for the replacement of network equipment (switches and routers), which is planned for 2021. Preparations for the replacement of hardware and software for the ATIS system as well as for the replacement of DME POR and DME ILB have also commenced. In addition, analyses are being conducted for the installation of new DME to cover airspace with DME/DME. FDPS system upgrades were also successfully completed.

In 2020, the new RCSE was delivered by Thales with a significant delay and installed in Maribor and ATCC. The software on the already installed RCSE, used for the control and management of navigation devices at Cerklje ob Krki Airport and Maribor Airport, was also updated. In 2021, the navigation devices at Cerklje ob Krki Airport are expected to become operational.

The Company cooperated with the selected contractor in the development of a new eARO 2.0 application also in 2020. The Company's representatives participated mainly as experts in the respective field and requirements. The new application had been developed by the end of 2020. Penetration tests were carried out and will be re-done in March 2021, followed by a final acceptance.

The technical security system was upgraded with individual solutions aimed at improving its efficiency and facilitating the identification of potential deviations from the order in the protected area or other loss events. In the field of fire safety, the fire alarm system was updated and the security lighting of the Maribor Airport control tower was renewed.

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, six of which have already been completed. The last – the NewPENS project, was finalised at the end of 2020. Only the project "SWIM Common PKI and policies & procedures for establishing a trust framework" is still in progress, the purpose of which is to determine the role, policy and procedures required for the creation, management, distribution, use, storage and revocation of digital certificates and encryption key management. The Company is the project partner, whereas Eurocontrol is the project coordinator. Five projects have received 50% co-financing of European funds from the "Connect Europe Facilities – CEF" programme, while two have received 43% co-financing.

Until now, 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.

In 2019, the Company continued cooperation as part of a consortium with fifteen other partners (Eurocontrol, Austro Control (Austria), DSNA (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 was successfully concluded at the end of 2020.

Moreover, the Company continued carrying out 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.

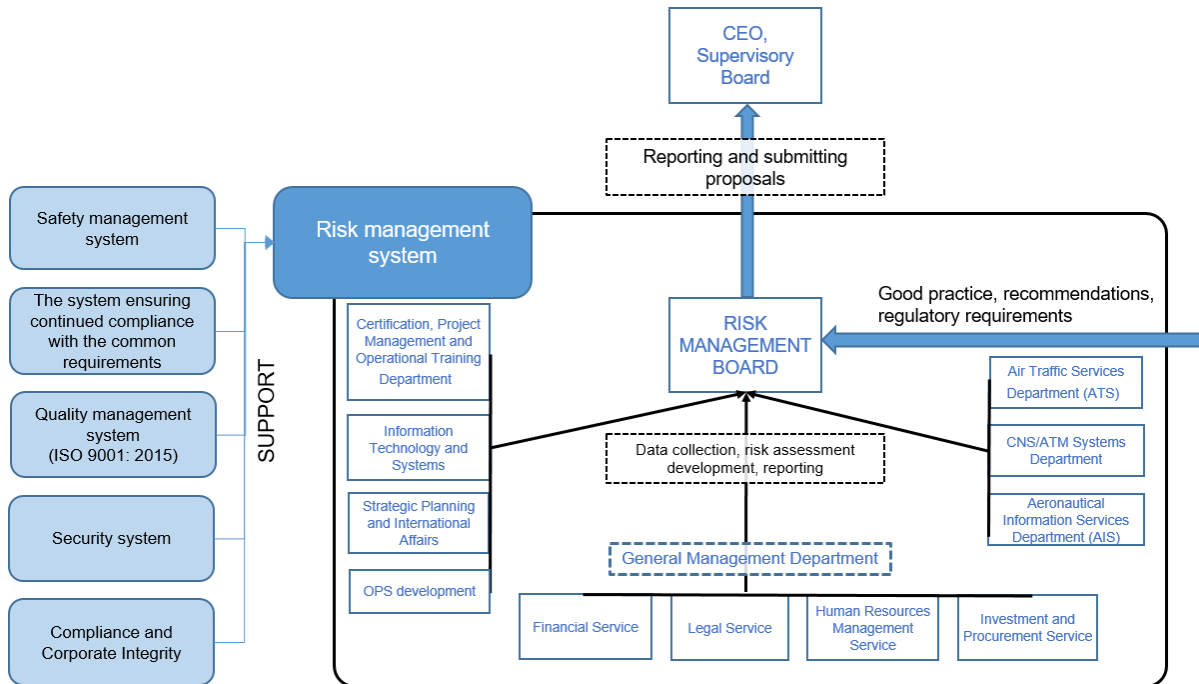
6 RISK MANAGEMENT

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, 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 RS, No 30/18) and the decision of the Republic of Slovenia's Government, 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 2017/373/EU, an ISO 9001:2015 quality management system and a security system. At the end of 2020, the system was additionally supported with the function of Compliance and Integrity Officer. 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. The figure below summarises the position, role and relationships of the risk management system relative to other 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, 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 in 2020, the liquidity, credit and interest rate risks should be highlighted due to the negative impact of the COVID-19 epidemic. In the group of operational risks, the most important identified risks were the risk of an external extreme event (security crises and war, terrorist attacks, epidemics, volcano eruptions, etc.), which includes the outbreak of the COVID-19 epidemic. In addition to the above, key risks identified in this group are those related to the development and investments and maintenance of technical systems and devices, security risks 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 described in more detail below, including the report on key risks and their impact on operations in 2020 in Section 6.5. 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.

6.1 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 Regulation (EU) No 390/2013 of 3 May 2013 laying down a performance scheme for air navigation services and network functions (OJ L 128, 9 May 2013, p. 1) (hereinafter referred to as: Commission Implementing Regulation 390/2013/EU) and Commission Implementing Regulation (EU) No 391/2013 of 3 May 2013 laying down a common charging scheme for air navigation services (OJ L 128, 9 May 2013, p. 31) (hereinafter referred to as: Commission Implementing Regulation 391/2013/EU) (relevant only in terms of the effects of risk-sharing mechanism from the second reference period, which have an impact on the unit rate in 2020 and 2021) and Commission Implementing Regulation No 317/2019/EU (relevant for the third reference period 2020 – 2024), laying down the methodology for establishing national cost bases, and thus unit rates, and the traffic, inflation and investment risk-sharing mechanism, and in the third reference period also the investment risk-sharing mechanism. However, due to the negative impact of the COVID-19 pandemic on aviation, the provisionally amended legal framework, as set out in Commission Implementing Regulation 2020/1627/EU on exceptional measures for the third reference period (2020 – 2024) of the single European Sky performance and charging scheme due to the COVID-19 pandemic, is also important in terms of the impact on the risk-sharing mechanism for the third and fourth reference periods of monitoring the EU-wide performance targets, the impact of which is explained in Section 6.5.

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 for the provision of 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, it is necessary to take into account the impact of the risk-sharing mechanism arising from inflation and traffic and, from 1 January 2020, also investments, as provided for in Commission Implementing Regulation 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 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 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 arising from the impact of the investment risk-sharing mechanism that might affect the Company's operations in the third reference period are related to the group of risks connected with strategic planning and addressed as part of it.

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 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 and the internal processes of monitoring compliance with 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 European Single European Sky (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 for the Republic of Slovenia. In line with the said legislation, performance plans cover five-year reference periods. Among other things the Performance

Plan includes the established expenses of 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 implementation 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 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 traffic management (ATM) / air navigation services (ANS) i.e. 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 monitor and 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 National Performance Plan. The Republic of Slovenia bears the responsibility to achieve the targets.

The Company manages the risk 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 system 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.

6.2 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 3.2.25 – 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). Credit 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. 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 the risk associated with the revenue from terminal charges 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).

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. In addition, due to the negative impact of the COVID-19 epidemic on the decline in air traffic and thus on the Company's revenues and consequently cash flow, the Company is exposed to a higher liquidity risk, as explained in Section 6.5.2. During the epidemic, the Company paid special attention to liquidity risk management with an appropriate level of borrowing, by planning the necessary financial resources and by advance cash flow simulation.

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 impact of liquidity risk is assessed in the financial report, section 3.2.25 – Financial instruments and financial risk management.

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. In addition to the above, the Company manages liquidity 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: the method of financing the activities of air navigation services is regulated by the European Single Sky legislation (SES), which governs the method of determining the unit rates. Accordingly, the unit rates are established on the basis of the estimated costs and traffic, taking into account the projected inflation. The system provides for the reimbursement of all estimated costs, taking into consideration the actual inflation and the traffic/incentive risk-sharing mechanism. Owing to the traffic/inflation/investment risk-sharing mechanism, price risk is low and manageable.

Price risk is managed by calculating charges in accordance with the regulations of the European Union and the guidelines provided by the European Organisation for the Safety of Air Navigation (Eurocontrol), 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 revenues, EBITDA and operating result. 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.

The Company is managing the risk by monitoring the data on key partners in both service segments (en-route and terminal), based on Eurocontrol's information, by participating in the common service charging and collection system through the Eurocontrol organisation, by using the most accurate and realistic traffic forecasts for planning, in particular the statistical forecasts of Eurocontrol and the Company's database, by regular monitoring of data on traffic, revenues, costs and cash flows, and by using short-term credit lines concluded with selected banks for a period of up to one year.

6.3 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 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), and disease pandemic, such as COVID-19, which currently affects the entire world, which constitute 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 the said risk-sharing mechanism provided for by Commission Implementing Regulation 317/2019/EU, 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.

Human resources risks: within this category, the Company identified as key risk groups the risk associated with key employees and the risks related to safety and health at work. 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 related to safety and health at work are associated with ensuring the prescribed levels of safety and health at work, in particular the adoption of appropriate measures to protect the health and safety of employees at work and prevent accidents at work and occupational diseases. A key factor in carrying out the Company's activities is adequately qualified operational personnel of air traffic services (ATS), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS), who must also demonstrate competence at the appropriate level required to keep endorsements for operational work and tasks. One of the conditions for keeping the endorsements (validity of licences) of such personnel is the prescribed medical fitness.

The Company manages risks in this area by complying with and consistently implementing the prescribed requirements laid down by national and European legislation and the Company's internal acts, including the prevention, elimination and management of occupational hazards, informing and training employees, appropriate organisation and the necessary material resources. The Company has adopted a Safety statement with risk assessment of workplaces including a professional health assessment, in accordance with which it implements all measures prescribed in the field of occupational safety and health. The occupational safety and health system, together with the Company's safety system provides for appropriate preventive measures, prescribed training (such as training in safety and health at work and fire protection, training for work at height and for safe work with electricity and hazardous substances) and informing all employees. It is further underpinned by the implementation of the health group's activities in accordance with the adopted Occupational Health Promotion Strategy, which focuses activities mainly on raising awareness of a healthy and balanced nutrition, general physical activity and movement in the work environment, prevention of injuries at work, especially in terms of ergonomic measures in the

workplace, mental health care, stress prevention and management, and awareness and prevention of workplace mobbing. The Company also encourages employees to care for their health by publishing various articles and advice on health on its intranet.

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:

- an 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 individual key risks from the point of view of possible negative impact, the major being: the risk of sabotage or vandalism, the risk of fire and the risk of hybrid threat.

Sabotage and vandalism or other similar criminal acts committed in or on the Company's business premises can lead to disruptions in the provision of essential services, and consequently the loss of revenue, or cause material damage, which results in rehabilitation costs. The Company controls this risk by protecting facilities, systems and devices with physical and technical security systems, mechanical systems (i.e. fencing) and fire reporting, by ensuring that emergency services respond if a loss event is detected, by remote control over the operation of systems, by raising employee awareness and arranging 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 or provide services 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);
- 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.

The risk of hybrid threats represents one of the most complex risks in the Company. A combination of realised physical threats, which are at the same time connected with the planned or accidental cyber threat realisation, both at the wrong time, could cause a halt in the Company's operations for a longer period of time. Globally, most exposed to hybrid threats currently is critical infrastructure of individual countries, which in the Republic of Slovenia encompasses the Company.

The Company's resilience to hybrid threats requires extensive horizontal coordination of all its key stakeholders, good knowledge and awareness, especially of middle managers, about possible threats to assets, and centralised management or targeted preventive action. The goal of preventive action is to achieve the best possible resilience to threats, both of systems in technical terms and of systems or (business) processes in the Company, and to organise a system or process that will sufficiently early identify indicators of the possibility of hybrid threats being realised. The Company is not necessarily the direct ultimate target of actors, however because of its involvement in the international environment and the importance of its service provision to the country or parts of its national security system, it can be used as a "tool" to create a cascading effect of hybrid threats.

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 the European legislation (Commission Implementing Regulation 2017/373/EU) it is a condition for maintaining the validity of the license (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 as well as general liability insurance. 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 quality of 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 96 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 appointed by the Founder.

6.4 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 its 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 2021 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 2021 the Company will continue to implement intensive steps and changes in information systems required to comply with the Regulation (EU) 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 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.

6.5 KEY RISKS IN 2020 AND THEIR IMPACT ON THE COMPANY'S OPERATIONS

In 2020, there were two key risk factors affecting the Company's operations, which influenced the achievement of the Company's annual plan and goals, namely the impact of the traffic and inflation risk-sharing mechanism in 2018 and the outbreak of the global COVID-19 pandemic and the related recession.

6.5.1 Impact of the 2018 traffic and inflation risk-sharing mechanism

This mechanism is, as previously described, a consequence of the rules deriving from the provisions of Commission Implementing Regulations 390/2013/EU and 391/2013/EU (relevant for the second reference period for monitoring the EU-wide performance targets 2015 - 2019), which lay down the manner of determining national cost bases and thus unit rates as well as traffic and inflation risk-sharing mechanism. The impact of the risk-sharing mechanism on the rates and thus on the Company's revenues in 2020 was significant in calculating the unit rate. If the projected pre-COVID-19 crisis traffic were realised, the impact of the risk-sharing mechanism would have amounted to EUR 3,357 million. Given that due to the COVID-19 crisis the traffic was considerably lower than planned, the impact of the risk-sharing mechanism on operations in 2020 amounted to EUR 2.85 million. Without the risk-sharing mechanism sales revenues in 2020 would therefore have been EUR 2.85 million higher, while loss would have been accordingly lower and performance indicators better.

Given the negative impact of the COVID-19 epidemic and the associated decline in air traffic in 2020, which will not be restored to 2019 levels in 2021, the adoption of Commission Implementing Regulation

2020/1627/EU is an important factor for air navigation service providers, whereby the European Commission established a provisionally amended legal framework for the third reference period, taking into account the emergency situation in the aviation sector, and thus adopted interim emergency measures as a result of the COVID-19 pandemic. In line with the said regulation, the European Commission will adopt new Union-wide performance targets no later than by 1 May 2021 and member states must submit to the Commission, by 1 October 2021, draft performance plans for the rest of the third reference period. From the point of view of the impact of the risk-sharing mechanism on the Company's operations, the relevant provisions are those that change the adjustment period for over/under recovery from traffic, inflation and investment risk-sharing so that they are not included in the calculation of unit rate in the year (n+2) but are spread equally over a five-year period from 2023 to 2027.

6.5.2 The outbreak of the global COVID-19 pandemic and related recession

The outbreak of the global COVID-19 coronavirus disease, which has immensely affected the aviation sector, has, as a result of direct and indirect effects through realisation of other risks, shown that the Company might be exposed to a very high risk upon emergence of such external extreme events on which it has no direct influence, as significant negative impacts on the Company's revenues and operating results and, consequently, its cash flow may be produced in the short and medium term due to the loss of revenue resulting from the lower volume of air traffic. The extent and consequences of the present epidemic accompanied with the negative effects of the general economic recession which require urgent state interventions in the economic environment, along with epidemiological factors (new virus variants and consequently new waves with the increase in the number of infected and ill people, the availability of vaccines and speed of vaccination) affect the pace of economic recovery and restoration of confidence and demand for air transport, which will largely define the aviation sector's recovery.

Due to the realisation of the operational risk arising from an extraordinary event (the outbreak of the epidemic) there is a higher risk to the Company's operations, especially as regards financial risks (liquidity risk, credit risk and interest rate risk) and strategic risks due to amended regulations on determining the Company's charges (risks associated with strategic planning and with the setting of new EU-wide performance targets) and the associated risk-sharing (adjustment) mechanism. The crisis, which has affected the entire aviation sector, is also changing the market and the structure of the market of the Company's (airlines') services users. The greatest risk is still associated with the duration and severity of the epidemic. A long-term persistence of aggravated epidemiological situation with potential new waves of infections and the related more stringent restrictive measures as well as further major economic shutdowns will continue to represent the highest risk to a stable recovery.

With the Company rooted in the international, especially EU legal framework regulating air navigation services, the risks incurred in the field of strategic risks (risks associated with strategic planning and regulatory risks – the risk-sharing mechanism related to traffic, inflation and investments, i.e. the adjustment mechanism) are predictable and manageable in the medium term owing to the Company's involvement in the activities of the EU working bodies through the engagement of the representatives of the Republic of Slovenia in addressing and adopting changes to the European regulations.

Realisation of financial risks is related to the realisation of other risks associated with the negative impact of the COVID-19 epidemic on the aviation sector and thus air traffic volume, which is reflected in the drop of revenues, a significantly deteriorated liquidity situation and increased indebtedness of the Company, while at same time the share of fixed operating costs is high. The liquidity situation of the Company in 2020 was also affected by the deferral of payments for air navigation services by service users for the months of February, March, April and May 2020, which was approved by the member states as part of Eurocontrol's assistance to airlines so as to allow the charges for February to be paid in November 2020, those for March 2020 to be paid in February 2021, while the charges due for April 2020 are to be paid in May 2021 and those due for May 2020 in August 2021.

Because of the uncertainty at the time of the epidemic, the Company pays special attention to liquidity risk. In addition to regular weekly and monthly monitoring of traffic, traffic forecasts by professional organisations (especially Eurocontrol), revenues, costs and taking measures to streamline all operating costs, the Company manages liquidity risk by raising credit lines on the banking market. Without the measures taken by the Company, its ability to settle its liabilities and thus its solvency would be at risk. To ensure adequate liquidity, the Company took out an additional short-term revolving credit in the amount of EUR 5 million in April and a long-term loan in the second half of 2020 to finance the necessary investments. In addition, the Company is implementing several measures to reduce investment-related operating costs, costs of services and goods delivery, and labour costs. Due to a long-term, 10-year loan with a grace period on principal until 2023, which was taken out in 2020 to finance investments in the

2020 – 2022 period, the Company will more closely monitor and manage the exposure to risks of major interest rate changes, despite the Euribor-linked interest rate of the loan. In 2021, the Company will pay additional attention to regular monitoring of capital adequacy.

The COVID-19 epidemic has also increased the risks related to the safety and health of employees, which the Company has managed effectively by adjusting the organisation of work and consistently observing all preventive, protective and hygienic measures, thus ensuring continuous performance of activity.

Due to a general uncertainty regarding the development of the epidemic, the Company's efforts in 2021 will continue to be focused on providing all necessary measures for preventing infection among the employees so as to enable continuous performance of activities, taking all the necessary measures for managing any other operational risks and monitoring actual traffic levels and new forecasts by relevant organisations, and it will concentrate also on flexible adjustment of all capacities, especially human resources, to provide the necessary airspace capacities within the Company's domain. Moreover, the Company will be proactively involved in all activities and initiatives, both in cooperation with the competent ministry and the Civil Aviation Agency of the Republic of Slovenia, as well as other aviation stakeholders on a European scale (within the FAB CE and as part of inter-FAB cooperation, CANSO, Eurocontrol, EASA, EC3) in order to provide for active and substantiated representation of the interests of air navigation service providers in the adoption of measures for the recovery of European aviation.

In view of all the above, the Company failed to realise its planned operations in 2020 and, owing to the scale of the crisis that affected the aviation industry, closed the financial year with negative operating result.

7 SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

In accordance with the concept of a socially responsible company, Slovenia Control incorporates care for the society and environment in its operations and development planning in the area of the activity it performs. 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 and are pursued as part of all relationships of the Company and concern all stakeholders who have any interaction with the Company.

The Company further consolidated social responsibility by signing a Commitment to Respect Human Rights in Business, whereby it undertook to implement the relevant principles of the National Action Plan on Business and Human Rights. In 2021 and the two following years, the Company will carry out activities to achieve an even higher standard of respect for human rights in business in accordance with the action plan adopted based on the signed commitment, as prescribed by the Recommendations and Expectations of the Slovenian Sovereign Holding.

In 2021, the Company will strive to comprehensively address all aspects of sustainable operations, both economic, social and environmental, outlined in the sustainable operations strategy, which will include all basic elements in accordance with the Recommendations and Expectations of the Slovenian Sovereign Holding and will be integrated in the strategic business plan.

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 standards of business ethics, 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 taking advantage of 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 Company plans to supplement the Code of Ethics in 2021. The supplement will mainly constitute the harmonisation of the Code with the signed Commitment to Respect Human Rights in Business, whereby it undertook to implement the relevant principles of the National Action Plan on Business and Human Rights.

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.

7.1 ECONOMIC ASPECTS OF SUSTAINABLE OPERATIONS OF THE COMPANY

In accordance with Slovenian and European legislation on the Single European Sky, the Company is a designated and certified provider of ATM/ANS services - air traffic management services and air navigation services. The Company has the status of a public company, under the conditions of a mandatory public utility service and is classified as a strategic investment owned by the Republic of Slovenia and managed by the SSH.

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 three public airports and a military-civilian airport, to provide aeronautical information services, communications, navigation and surveillance services, automated system services supporting air traffic management, to upgrade, introduce and maintain technical systems and devices for air traffic management and control as well as to train and maintain the competence of operational personnel.

It draws on its expertise to accelerate the development of air traffic by cooperating in domestic and international organisations in the field of civil aviation and contributes to decisions beneficial for the Republic of Slovenia. In cooperation with state bodies, in particular the Ministry of Defence of the Republic of Slovenia and the Slovenian Armed Forces, it forms an important segment in the field of national security and sovereignty, as the activity of air traffic management and control is of strategic importance for the country and also one of the participating segments controlling Slovenian airspace.

As an important stakeholder in civil aviation, the Company contributes to the openness and connectivity of the Slovenian economy, population mobility and economic growth, the competitiveness and development of aviation in Slovenia and Europe, the achievement of Union-wide cost efficiency targets and price competitiveness, taking into account all binding targets in the areas of safety, performance and environment.

7.2 SOCIAL ASPECTS OF SUSTAINABLE OPERATIONS OF THE COMPANY

In terms of social impacts of its business, the Company considers and addresses issues of responsibility to employees and service users, including airlines, airports, state authorities, the Slovenian Armed Forces and police, business partners and officials, as well as responsibility to the local community and the wider environment in which it operates.

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 Workers' 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.

In 2020, special attention was paid to raising the awareness of employees about the strict observance of protective measures taken by the Company to prevent infection with COVID-19. For this purpose, the Company implements all prescribed protective measures, provides protective equipment and means, and disinfects the facilities and premises that are in use.

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.

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 RS, 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 will continue to demonstrate its responsibility towards the users of its services through various formal and informal forms of consultation with them.

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 of aviation. We wish to contribute to the continued development of aviation in the Republic of Slovenia as an extremely important sector of the economy.

7.3 ENVIRONMENTAL ASPECTS OF SUSTAINABLE OPERATIONS OF THE COMPANY

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. It switched to predominantly e-business, which reduces operating costs and has positive effects on the environment. 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 under public procurement law, the Company also follows the principles of socially responsible public procurement by including environmental and social aspects in the public procurement process.

The Company is aware of the important role it plays in reducing noise and greenhouse gas emissions, regardless of traffic growth. Therefore, it meets environmental standards by streamlining flight planning with regard to the design of procedures, routes and reserved areas for the needs of the Ministry of Defence. In cooperation with the neighbouring air navigation service providers, it strives to expand the SECSI FRA area according to the free route concept, which contributes to fuel savings and reduction in CO₂ emissions on a daily basis. The Company thus contributes to the goals of a zero-carbon society, as well as reduced travel times and therefore greater mobility. These efforts are consistent with the goals of the Single European Sky, which is evident in the Company's contribution to achieving the environmental performance target.

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 uninterruptible power supply for the ATCC facility, into the network. With the uninterruptible 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). In 2020, the Company won a new contract for the supply of electricity through a public procurement procedure, whereby it gained savings from the price of electricity and also ensured that in 2021 at least 50% of the supplied electricity will be produced from renewable energy sources (RES) or high-efficiency cogeneration (CHP) or cogeneration based on renewable energy sources (green energy).

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. 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 in no case produces more than 150 tonnes of waste or a total of more than 200 kilograms of hazardous waste in a 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 RS, No. 37/15, 69/15 and 129/20).

With development issues, the Company will continue to include in its business activities the fundamental principles of social responsibility and sustainable operations 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.

8 KEY PLANS FOR 2021 AND EXPECTATIONS FOR THE COMPANY'S DEVELOPMENT

The aviation sector has been severely hit by the global COVID-19 epidemic, which was reflected in a plunge in air traffic in 2020 resulting from the measures taken by countries to limit the spread of coronavirus and mitigate the effects of the epidemic, and in particular from travel restrictions and bans. These circumstances have a significant impact on the procedures and measures aimed at implementing performance and charging scheme in the third reference period 2020 – 2024, including the setting of performance targets and unit rates and the use of incentive systems and risk-sharing mechanisms, and have therefore called for provisional emergency measures. Despite the adopted measures and the new vaccines released in early 2021, the recovery of air traffic will be very slow and largely dependent on the development of the epidemic, vaccine availability and vaccination rate, as well as the general economic recovery and the restoration of confidence and demand for air transport. In view of the above, the Company's primary goal will be to ensure the continuous, efficient and safe performance of its principal activity, i.e. the provision of air traffic management services and air navigation services in the Republic of Slovenia, and business continuity in accordance with applicable Slovenian and European regulations and ICAO standards.

In line with Commission Implementing Regulation 2020/1627/EU on exceptional measures for the third reference period (2020 – 2024) of the Single European Sky performance and charging scheme due to the COVID-19 pandemic, which presents a provisionally amended legal framework for the third reference period and takes into account the emergency situation in the aviation sector, in 2021 the Company will strive to achieve compliance with the new changed EU-wide performance targets, which will be adopted by the European Commission by 1 May 2021, as part of the preparation of the new draft Performance Plan 2020 – 2024 for the Republic of Slovenia. Considering the forecasts and actual data on the recovery of air traffic, the development of the COVID-19 epidemic and the general economic situation, in 2021 the Company will manage all operating costs and secure the necessary sources of financing to ensure the continuity of its operations as well as necessary and prescribed investments in navigation systems and equipment required to keep up with technological developments within the Company's business.

In view of all the above, 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 all 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 of 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 EU-wide targets. It 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.

The Company will strive to maintain an influential role within the FAB CE project, within which activities will continue in line with the EAAS (European Airspace Architecture Study) and the strategy adopted in 2020 (FAB CE Strategy 2020 – 2030). The main objectives will be covered in the new 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 will carry out all the planned activities and take all the necessary measures to achieve the goals planned for 2021, most notably:

- ensuring continuity of operations and safe provision of services as well as maintaining business continuity plans;
- 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;
- resuming the social dialogue that has been discontinued due to the COVID-19 epidemic 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 the 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 the FAB CE, and maintaining active involvement as a member of FABCE, 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. Moreover, the renovation of VHF radio stations at TWR Portorož, TWR Maribor and Janče 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 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 addition to the above, the following is also planned in the field of aeronautical telecommunications:

- replacement of most operational servers and installation of X-servers;
- replacement of most LAN/WAN active network equipment;
- introduction of a new QAM application on new hardware for operational use at all airports in the Republic of Slovenia;
- replacement and upgrades of ATIS hardware and software;
- upgrade of RCSE equipment for control of navigation systems in the Republic of Slovenia; and
- continuation of the DME/DME project.

In aeronautical information services, one of the Company's important tasks is the transition from ensuring compliance with the requirements of Commission Regulation 73/2010/EU to ensuring compliance with the requirements of Commission Implementing Regulation 2017/373/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).

An agreement has been made with Eurocontrol NM on the transition of the Company and ADMT (AIXM 5.1) system to EAD SDD by means of direct transfer of aeronautical information between the two systems. The information provides the basis for the operation of NM functions. 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 Environmental Agency of the Republic of Slovenia. By establishing AMATIS UA workstations the Environmental Agency of the Republic of Slovenia will be able to send messages with attachments through the AMHS system – these are especially meteorological data and pictures.

In 2021, the implementation of new eARO 2.0 application for the internet submission of flight plans will be completed. Flight plans submitted using this method already account for 49% of the total.

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 Personnel 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 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 2021 to ensure adequate sector capacities based on the planned traffic volumes:

- opening the fourth 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.

The great uncertainty about the effectiveness of the measures taken by countries to fight the epidemic is also reflected in traffic forecasts for 2021 and beyond. Real traffic in 2021 is likely to be most affected by:

- vaccine availability;
- public opinion on vaccination;
- procedures carried out by those responsible for managing the pandemic;
- general economic situation;
- consumer confidence and demand for air transport;
- the financial condition of air carriers and air navigation service providers;
- ATC capacity in neighbouring countries (including the South-East Axis); and
- extraordinary events (terrorist acts in the world, conflicts between countries, etc.).

In 2021, the Company will continue its activities on projects co-funded by European Union funds under the Connecting Europe Facility (CEF), namely the SWIM Common Public Key Infrastructure & Cybersecurity (SWIM PKI & CS).

The Company will continue to implement the ADaaS2 project as one of priorities.

As regards the quality management system according to ISO 9001, two projects are planned to be completed in 2021, namely the project for managing the documentation management system and inventorying the process of development of operational software and hardware as well as operational working environment. In the field of the quality management system under ISO 9001, an internal audit is planned in 2021, which will cover all processes. It will be followed by an external re-certification audit performed by accredited external providers.

With the measures and activities described, the Company will ensure the high-quality, flexible and cost-efficient performance of its activity, focusing on its primary goal, i.e. ensuring a high level of air traffic safety, while adequately contributing to the reduction of the negative impact of its operations on the environment.

II FINANCIAL REPORT

1 INDEPENDENT AUDITOR'S REPORT



Building a better
working world

INDEPENDENT AUDITOR'S REPORT



This is a translation of the original report in Slovene language

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 (the Company), which comprise the statement of financial position as at 31 December 2020, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the (consolidated) financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For these matters below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

The Company has two main revenue segments: navigation services provided to the overflight traffic ('en-route') over Slovenia and terminal air navigation services. Air navigation services are billed, and the revenues earned are recognized by the Company based on a EUR unit price determined on the basis of pre-budgeted costs and planned annual turnover and taking into account the actual chargeable service units.

The rates for overflights are regulated based on a special mechanism whereby price is determined based on planned number of overflights and planned inflation whereby unit price is confirmed by the European Commission.

Based on the Commission Implementing Regulation (EU) No 2020/1627 on exceptional measures for the third reference period (2020-2024) of the single

Our audit procedures included, among others, understanding of the applicable regulations, considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards as adopted by the European Union. We tested the design and implementation of internal controls over revenue recognition in terms of error, fraud prevention and timing of revenue.

On a sample of transactions, we tested appropriateness of determining the performance obligations as well as allocation of the price consideration to individual performance obligations and timing of control transfer for each revenue stream, in accordance with IFRS 15. We also tested a sample



European sky performance and charging scheme due to the COVID-19 pandemic, new EU targets shall be prepared and adopted, together with the new national performance plan proposals. The new EU performance targets will be set for the entire reference period (2020-2024) taking into account that 2020-2021 calendar years shall be treated as a single period. The approval by the European Commission is expected only after the statement of financial position date.

We determined revenue recognition as a key audit matter because of the above-mentioned complexity to perform this measurement and because revenue is one of the key performance indicators followed by the Company.

of sales transactions taking place at either side of the statement of financial position date.

Management performed a legal and financial assessment regarding the possible implications of unconfirmed unit prices for overflights by the European Commission for 2020 by the date of the issuance of the financial statements. We reviewed the management assessment and performed management inquiries in relation to this assessment and compared the assessment to the provisions of Implementing Regulation 2019/317 and Implementing regulation 2020/1627.

We also assessed the adequacy of disclosure note policies and disclosures on revenues included in the Note 3.2.15 *Revenues from sales from contracts*, Note 3.2.24 *The application of the IFRS for the recognition of the excess revenue due to the effect of the risk-sharing mechanism on the future revenue in accordance with European Union regulations* and Note 3.2.29 *Contingencies* and their compliance with International Financial Reporting Standards as adopted by the European Union.

Impairment of Property, Plant and equipment

The Company's Property, plant and equipment includes land and buildings and equipment. As at 31 December 2020, Property, plant and equipment amounts to EUR 23.5 million and represents 76.9% of total assets. The Company prepared the impairment test for Property, plant and equipment as at 31 December 2020 due to significant deterioration of financial performance in 2020 as a result of Covid-19 pandemic. The impairment test involves determining the recoverable amount of cash generating unit as a whole or individual assets, which corresponds to the value in use or selling price less cost to sell. Value in use is the present value of the future cash flows expected to be derived from a cash generating unit. Management's assessment of the impairment indicators and the calculation of the recoverable amount of Property, plant and equipment were significant to our audit because this process is complex and requires significant management judgement. We therefore determined this to be a key audit matter.

We evaluated management's assessment of impairment indications for Property, plant and equipment. We tested management's assumptions and other input data used in the value in use calculations. We evaluated supporting external appraisal reports obtained by management to assess the recoverability or fair value less cost of disposal, where applicable. We assessed competency, experience and objectivity of the external appraisals and discussed directly with them their valuation report and work performed. We involved valuation experts in the audit team to assist us in evaluation of the discount rates used and assessing the appropriateness of valuation methodologies applied. We also evaluated the adequacy of the disclosures regarding the impairments of Property, plant and equipment, which are included in Note 3.2.2 Property, plant and equipment of the financial statements and their compliance with International Financial Reporting Standards as adopted by the EU.

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, audit committee and the 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.

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 audit committee and the supervisory board are responsible for overseeing the Company's financial reporting process. The supervisory board is responsible to approve 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 audit committee and 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.

We also provide the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Appointment and Approval of Auditor

We were appointed as auditors of the Company at the general meeting of owners on 1 August 2019, the president of the supervisory board has signed the audit agreement on 1.8.2019. The agreement was signed for the period of 2 years.

Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 5 years. Sanja Košir Nikašinović and Ana Primožič are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, 20 April 2021

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

 
ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 3
Ana Primožič
Certified auditor

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 2020

ASSETS		Notes	31/12/2020	31/12/2019
Non-current assets			25,615,757	27,345,080
I.	Intangible assets	3.2.1	1,722,282	1,589,579
1.	Long-term property rights		1,604,557	1,513,347
2.	Other non-current assets		117,725	76,232
II.	Property, plant and equipment	3.2.2	23,524,840	25,434,444
1.	Land and buildings		15,623,167	16,385,660
2.	Manufacturing plant and equipment		7,363,164	8,781,147
3.	Other plant and equipment		7,435	4,494
4.	Property, plant and equipment being acquired		531,074	263,143
III.	Investment property		0	0
IV.	Non-current financial investments	3.2.3	16,000	16,000
V.	Non-current operating receivables		0	0
VI.	Deferred tax assets	3.2.4	352,635	305,057
Current assets			4,978,964	10,610,872
I.	Inventories	3.2.5	517,941	636,428
II.	Current financial assets		0	0
III.	Current operating receivables	3.2.6	3,703,346	4,100,324
1.	Current trade receivables		1,713,492	3,210,137
2.	Current corporate income tax assets		493,690	22,607
3.	Current operating receivables due from others		1,496,164	867,580
IV.	Cash assets	3.2.7	757,677	5,874,120
TOTAL ASSETS			30,594,721	37,955,952

EQUITY AND LIABILITIES		Notes	31/12/2020	31/12/2019
Equity		3.2.8	10,307,825	24,736,997
I.	Called-up capital		5,525,706	5,525,706
II.	Capital reserves		0	0
III.	Revenue reserves		4,816,358	16,421,435
1.	Statutory reserves		552,571	552,571
2.	Other revenue reserves		4,263,788	15,868,864
IV.	Reserves from valuation at fair value		-34,240	61,737
V.	Retained net profit or loss		0	435,562
VI.	Net profit or loss for the year		0	2,292,557
Provisions and long-term accrued costs and deferred revenues		3.2.9	2,747,493	2,532,126
1.	Provisions for pensions and similar liabilities		2,747,493	2,532,126
Non-current liabilities			5,851,699	2,714,496
I.	Non-current financial liabilities	3.2.10	5,851,699	2,714,496
II.	Non-current operating liabilities		0	0
III.	Deferred tax liabilities		0	0
Current liabilities			11,687,704	7,972,333
I.	Current financial liabilities	3.2.11	7,173,652	2,305,400
II.	Current liabilities		4,514,052	5,666,933
1.	Current operating trade payables	3.2.12	1,540,797	2,346,166
2.	Other current operating liabilities	3.2.13	1,686,986	2,483,452
3.	Corporate income tax liabilities			68,985
4.	Other current liabilities	3.2.14	1,286,269	768,330
Total liabilities			17,539,403	10,686,829
TOTAL EQUITY AND LIABILITIES			30,594,721	37,955,952

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 2020

Text	Notes	2020	2019
A REVENUES FROM SALES FROM CONTRACTS	3.2.15	15,457,515	41,817,617
1. Revenues from sales from contracts in the Republic of Slovenia		866,782	992,943
2. Revenues from sales from contracts in the EU		14,589,623	40,823,294
3. Revenues from sales from contracts abroad		1,110	1,380
B OTHER OPERATING REVENUE	3.2.16	2,093,677	252,795
C OPERATING EXPENSES		31,880,590	36,577,464
1. Cost of materials and services	3.2.17	5,558,208	7,257,298
a) Original cost of goods sold		0	0
b) Costs of materials		542,934	556,548
c) Costs of services		5,015,274	6,700,750
2. Labour costs	3.2.18	20,753,231	24,126,662
a) Payroll costs		15,774,751	18,328,666
b) Pension insurance costs		1,658,713	2,241,999
c) Social security costs		1,894,706	2,232,628
d) Other labour costs		1,425,061	1,323,369
3. Write-downs	3.2.19	3,982,605	3,806,508
a) Amortisation/depreciation		3,905,304	3,757,360
b) Revaluation operating expenses associated with intangible assets and property, plant and equipment		43,435	8,210
c) Revaluation operating expenses associated with inventories		33,866	40,938
4. Other operating expenses	3.2.20	1,482,922	1,595,651
5. Impairment and reversal of impairment of financial assets (net amount)	3.2.19	103,624	-208,655
D FINANCIAL REVENUES	c	31	55
1. Financial revenues from loans		7	14
2. Financial revenues from operating receivables due from others		24	41
E FINANCIAL EXPENSES	3.2.21	113,883	140,464
1. Financial expenses for financial liabilities		79,185	96,365
2. Financial expenses for operating liabilities		34,698	44,099
F TOTAL PROFIT/LOSS		-14,443,250	5,352,539
G CORPORATE INCOME TAX	3.2.22	-47,578	767,425
1. Tax payable		0	805,216
2. Deferred tax		-47,578	-37,791
H NET PROFIT OR LOSS FOR THE PERIOD		-14,395,672	4,585,114

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 2020

	Text	2020	2019
A	Net profit or loss for the period	-14,395,672	4,585,114
B	Other comprehensive income for the year	0	0
B.1.	Other comprehensive income to be recognised in the income statement in the future	0	0
	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.	Other elements of comprehensive income	-95,977	-257,889
B.2.1.	Restatement of post-employment benefits after tax	-95,977	-257,889
	Total other net comprehensive income	-95,977	-257,889
C	Total comprehensive income for the accounting period	-14,491,649	4,327,225

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 2020

	Text	2020	2019
A	Net profit for the year	-14,395,672	4,585,114
B	Retained net profit	2,790,596	435,562
C	Increase in revenue reserves	0	2,292,557
D	Decrease in other reserves	11,605,076	2,292,557
E	DISTRIBUTABLE PROFIT	0	2,728,119

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 2020

Text	2020	2019
A Cash flows from operating activities		
a) Income statement items	-10,458,792	9,109,844
Operating revenue (except for revaluation) and financial revenue from operating receivables	18,359,594	42,723,051
Operating expenses excluding depreciation or amortisation and revaluation, and financial expenses from operating liabilities	-28,818,386	-33,613,207
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	-469,627	-1,717,125
Opening less closing operating receivables	298,844	-1,047,732
Opening less closing deferred expenses and accrued revenue	98,134	-90,528
Opening less closing deferred tax assets	-47,578	-37,791
Opening less closing inventories	118,487	-94,557
Closing less opening operating liabilities	-1,670,820	-238,494
Closing less opening accrued costs and deferred revenue, and provisions	733,306	597,193
Corporate income tax	0	-805,216
c) Net cash from/used in operating activities (a + b)	-10,928,419	7,392,719
B Cash flows from financing activities		
a) Cash disbursements for financing activities	31	55
Receipts from interest and profit participations from investing activities	31	55
b) Cash disbursements for financing activities	-2,331,780	-6,280,675
Disbursements for the acquisition of intangible assets	-624,072	-1,058,861
Disbursements for the acquisition of items of property, plant and equipment	-1,707,708	-5,221,814
c) Net cash from/used in financing activities (a + b)	-2,331,749	-6,280,620
C Cash flows from financing activities		
a) Receipts from financing activities	8,825,000	2,394,896
Receipts from the increase in non-current financial liabilities	4,000,000	2,394,896
Receipts from the increase in current financial liabilities	4,825,000	0
b) Disbursements for financing activities	-681,275	-2,021,246
Disbursement for interest related to financing activities	-34,492	-93,027
Disbursement for interest related to leases	-44,693	-47,437
Disbursements for repayment of financial liabilities	-602,090	-380,782
Disbursements for the payment of dividends and other profit participations	0	-1,500,000
c) Net cash from/used in financing activities (a + b)	8,143,725	373,650
D Closing balance of cash	757,677	5,874,120
x) Net cash inflow or outflow for the period (sum of Ac, Bc and Cc)	-5,116,443	2,262,106
y) Opening balance of cash	5,874,120	3,612,014

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 2020

	Share capital	Statutory reserves	Other reserves	Reserves from valuation at fair value	Retained net profit	Net profit for the year	Total
A.1	Balance as at the end of the previous period						
	5,525,706	552,571	15,868,864	61,737	435,562	2,292,557	24,736,997
A.2	Opening balance for the period						
	5,525,706	552,571	15,868,864	61,737	435,562	2,292,557	24,736,997
B.1	Changes in equity						
a)	0	0	0	0	0	0	0
	Payment of dividends						
	0	0	0	0	0	0	0
B.2.	Total comprehensive income for the period						
a)	0	0	0	-95,977	0	-14,395,672	-14,491,649
	Entry of net profit/loss for the business year						
b)	0	0	0	-95,977	0	0	-95,977
	Other components of the total comprehensive income for the reporting period						
B.3	Changes in equity						
a)	0	0	0	0	-498,039	0	-498,039
	Allocation of part of the net profit from the previous period based on a resolution of the Management and Supervisory Boards						
b)	0	0	-11,605,076	0	0	12,103,115	498,039
	Allocation of the net profit from the current period based on a resolution of the Management and Supervisory Boards						
c)	0	0	0	0	62,477	0	62,477
	Other changes in equity						
C.	Closing balance for the period						
	5,525,706	552,571	4,263,788	-34,240	0	0	10,307,825

2.7 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
A.1	Balance as at the end of the previous period						
	5,525,706	552,571	13,576,307	319,626	333,209	1,602,484	21,909,903
A.2	Opening balance for the period						
	5,525,706	552,571	13,576,307	319,626	333,209	1,602,484	21,909,903
B.1	Changes in equity						
a)	0	0	0	0	-1,500,000	0	-1,500,000
	Payment of dividends						
	0	0	0	0	-1,500,000	0	-1,500,000
B.2.	Total comprehensive income for the period						
a)	0	0	0	-257,889	0	4,585,114	4,327,225
	Entry of net profit/loss for the business year						
b)	0	0	0	-257,889	0	0	-257,889
	Other components of the total comprehensive income for the reporting period						
B.3	Changes in equity						
a)	0	0	0	0	1,602,484	-1,602,484	0
	Allocation of part of the net profit from the previous period based on a resolution of the Management and Supervisory Boards						
b)	0	0	2,292,557	0	0	-2,292,557	0
	Allocation of the net profit from the current period based on a resolution of the Management and Supervisory Boards						
c)	0	0	0	0	-131	0	-131
	Other changes in equity						
C.	Closing balance for the period						
	5,525,706	552,571	15,868,864	61,737	435,562	2,292,557	24,736,997

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 resolution 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.

Receivables and loans granted

The fair value of receivables and loans is calculated as the present value of future cash flows discounted at the market interest rate applying at the end of the reporting period. The estimation takes into account the credit risk of these financial assets.

Non-derivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest payments, discounted at the market rate of interest applying at the end of the reporting period.

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.

The aforementioned accounting policies are used for both years presented, unless indicated otherwise.

The Company changed the presentation of impairments and reversal of impairments of financial assets in the business year. In line with IAS 1 and in conjunction with IFRS 9, the Company changed the presentation for the 2020 business year, namely in the income statement it disclosed the reversal of impairment of receivables and the impairment of receivables in the net amount under the item Impairment and reversal of impairment of financial assets (net amount). In accordance with this policy, the data for the previous period have been adjusted in the financial statements as well. The change in presentation does not affect the net profit or loss for the period.

Change of presentation:

Content	2019 before the change of presentation	Value of the change of presentation	2019 after the change of presentation
Other operating revenues	905,434	-652,639	252,795
Write-downs	484,922	-443,984	40,938
Impairment and reversal of impairment of financial assets (net amount)	0	-208,655	-208,655

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 2020 and are presented below.

- **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 has also issued a separate accompanying document, "Amendments to References to the Conceptual Framework in IFRS Standards", which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. The preparers adopting accounting policies based on the Conceptual Framework are obligated 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 in the first annual reporting period beginning on or after 1 January 2020 and for asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The management assessed the impact of the amendments on the Company's financial statements, and established that they do 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 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 do not significantly affect the Company’s financial statements.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (amendments)**

In September 2019, the International Accounting Standards Board (IASB) published amendments to IFRS 9, IAS 39 and IFRS 7 representing the finalisation of the closing phase of the response to the effects of the Interbank Offered Rate Reform (IBOR). The amendments address issues that affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate and the consequences thereof for specific hedge accounting requirements under IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, where an entity must consider the results of analysis of the future projected performance. Companies are provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform and may, in the period of uncertainty before the existing interest rate benchmark is replaced with an alternative nearly risk-free interest rate, continue with hedge accounting. Amendments to IFRS 7 Financial Instruments address additional disclosures in terms of uncertainty arising directly from IBOR reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and have to be applied retrospectively. In phase two of the project (draft), the IASB will focus on issues that affect financial reporting when an existing interest rate benchmark is replaced with a risk-free rate. The management assessed the impact of the amendments on the Company’s financial statements, and believes they do not significantly affect the Company’s financial statements.

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

- **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 a company must recognise the total amount of profit or loss in the case the transaction includes operations (regardless of 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. In December 2015, 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.

- **IAS 1 Presentation of Financial Statements Classification of liabilities as current or non-current (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. In response to the COVID-19 pandemic, the IASB deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position, but do not change existing requirements related to measurement or recognition period of either assets, liabilities, revenues, expenses or information in disclosures under these items. In addition, the amendments clarify requirements regarding the classification of debts that a company may settle by issuing own equity instruments. 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; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual improvements 2018-2020 (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. IASB published the following amendments to IFRS:

- **Amendments to IFRS 3 Business Combinations** are intended to update the reference in IFRS 3 to the Conceptual Framework without changing the requirements for accounting business combinations.
- **IAS 16 Property, Plant and Equipment (amendments)** Amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment (PPE) any proceeds from selling items produced while bringing that asset to condition necessary for its intended use. The entity will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)** Amendments lay down the costs which an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.
- **Annual improvements 2018-2020** bring some minor amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and illustrative examples to IFRS 16 - Leases.

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 16 Leases - Changes in Covid-19-Related Rent Concession (amendments)**

The amendments are effective for annual periods beginning on or after 1 June 2020 and have to be applied retrospectively. The amendments seek to facilitate the application of IFRS 16 by lessees in accounting rent concessions occurring as a direct consequence of the COVID-19 pandemic.

The amendments allow the lessee to apply the practical expedient so as not to be required to account changes in rent concessions directly arising from the pandemic as other changes under IFRS 16, provided that all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021;
- there is no substantive change to other terms and conditions of the lease.

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.

- **Interest Rate Benchmark Reform - phase II - IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 (amendments)**

In August 2020, the IASB published the results of phase II Interest Rate Benchmark Reform, namely the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and thus completed its work in response to the interest rate benchmark reform. The amendments provide temporary relief from reporting the effects of the interbank offered rate reform (IBOR) replacement with the alternative risk-free rate (RFR) on financial reporting. The amendments provide a practical expedient to an entity in accounting the change in the basis for determining the contractual cash flows of assets and liabilities, where the entity must revise the effective interest rate to reflect the change in the interest rate benchmark. In addition, the amendments provide entities temporary relief from discontinuation of hedge accounting, including the temporary exception from the separately identifiable requirement for an interest rate benchmark defined as a hedged item. Moreover, the amendments to IFRS 4 provide insurance undertakings that still apply IAS 39 with the same benefits as those introduced by the amendments to IFRS 9. Amendments to IFRS 7 Financial Instruments: Disclosures require an entity to disclose information that enables users of its financial statements to understand the effect of the interest rate benchmark reform on its financial statements and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted. The Company must apply the amendments retrospectively, but need not restate the information for the previous period. 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 post-employment benefits are sensitive to changes in the estimates due to the complexity of the actuarial calculation and the long-term nature of the items.

Deferred taxes (Note 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 of financial assets

Adoption of IFRS 9 changed the financial treatment of losses due to impairment of financial assets, so that the previous approach under IAS 39 accounting standard was replaced by the approach of expected credit loss (ECL). The 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.

The Company re-examined the adequacy of the recognition of the allowance for expected credit losses and found that impairments of operating receivables recognised on behalf of the Company by Eurocontrol are appropriate and in accordance with IFRS.

Leases

The Company applied the following accounting judgements that significantly affect the determination of the right-of-use assets value and lease liabilities.

- *Identification of a lease contract* - the Company identifies a contract as a lease contract if it conveys to it the right to control the use of the leased asset. The Company has control of the asset if it can use the asset and is entitled to the economic benefits from its use.
- *Determining the term of the lease* - the Company determines the term of the lease as the period during which the lease cannot be cancelled, together with:
 - a) a period covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
 - b) a period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In most cases, the term of the lease is specified in the lease contract. If the term is not specified in the contract, the Company assesses the lease term based on the estimated need for use of the relevant asset, taking into account the plans and long-term business policies of the Company.

- *Determining discount rate* – the discount rate is determined as the interest rate at which the Company can obtain comparable assets on the market, with a comparable maturity.

Impairment test of non-current non-financial assets

Information on significant uncertainty estimates and critical judgements that were prepared by the management within the process of accounting policy implementation and which affect the amounts in

financial statements the most were used in the estimation of the recoverable amount of non-current non-financial assets.

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 254/2009/EC).

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) 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

Impairment test of non-current assets (IAS 36)

Due to a significant deterioration in financial performance in the 2020 business year as a result of the COVID-19 pandemic, the Company conducted an impairment test of property, plant and equipment as at 31 December 2020. An impairment test involves the determination of the recoverable amount of a cash-generating unit of all or individual assets, which corresponds to their value in use or fair value less costs to sell. Value in use is the present value of the future cash flows that the Company expects from each cash-generating unit.

The Company applies IAS 36 to valuing the asset's cash-generating unit. In accordance with IAS 36, the Company estimates the recoverable amount that is greater than:

- fair value less costs to sell;
- value in use.

According to IAS 36, if one of the above values is more than carrying amount of the asset, it is not necessary to calculate the other amount. The asset is not impaired. When valuing the asset's cash-generating unit, the value in use was calculated on 31 December 2020, and was higher than the carrying amount.

To verify whether the Company should impair non-current assets, an impairment test of non-current assets was prepared on 31 December 2020 in accordance with IAS 36. The test showed that the value

of non-current assets' CGU (cash-generating unit) is not less than their carrying amount as at 31 December 2020, so impairment is not necessary. (See also note 3.2.2)

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 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%

Leases

Upon the conclusion of the contract, the Company assesses whether the arrangement is or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as lessee applies a uniform approach to recognition and measurement of all leases, except for short-term leases and leases of small-value assets. The Company recognises a lease liability for lease payments and the right-of-use asset, which represents the right to use the leased assets.

Right-of-use assets

The Company recognises a right-of-use asset at the commencement date (the date on which a lessor makes an underlying asset available for use by a lessee). The right-of-use asset is measured at cost less any allowance and any accumulated impairment losses with an adjustment to the cost upon each remeasurement of the lease liability. The cost of the right-of-use asset comprises the amount of the lease liability at its recognition, any initial direct costs of contract conclusion and any lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset, at the rates stated below:

- real estate 10 - 30 years
- motor vehicles and other equipment 3 - 5 years

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the Company exercises a purchase option, the depreciation is calculated based on the estimated useful life of the underlying asset.

Lease liabilities

At the commencement date, the Company measures the lease liability at the present value of all lease payments for the entire lease term. The lease payment includes fixed payment, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts under residual value guarantees. The lease payment also comprises the price of a purchase option if the Company is reasonably certain to exercise that option, and the payments of any penalties for terminating the lease, if the lease contract allows the Company to exercise this option.

Variable lease payment that does not depend on an index or a rate is recognised as cost (unless the costs arose from production of inventories) in the period in which the event or condition that triggers the payment occurs.

The Company computes the present value by taking into account the incremental borrowing rate at the commencement date, as the interest rate cannot be determined in the lease contract. After the commencement date, the amount of lease liabilities increases by accrued interest and decreases by all lease payments made. The carrying amount of the lease liability is reassessed in case of adjustment or change of the lease term, change of lease payment amount (for instance, change of future lease payment amounts due to a change of the relevant index or rate for determining the amount of lease payment) or change of assessment of purchase option of the underlying asset.

The Company recognised lease liabilities under Non-current and Current financial liabilities (see notes 3.2.10 and 3.2.11).

Short-term leases and leases of low-value assets

The Company uses the recognition exemption for short-term lease of machinery and equipment for leases with a lease term of 12 months or less that does not contain a purchase option. It also uses the recognition exemption for low-value leases in connection to lease of office equipment that is of small value. For short-term leases and leases of low-value assets the Company recognises the lease payments as cost on a straight-line basis over the lease term.

Company as the lessor

Leases in respect of which no significant risks and rewards incidental to ownership are transferred are classified as operating leases. Rental income is recognised on a straight-line basis over the lease term under revenue in the income statement. Initial direct costs are additional costs that are directly attributable to the negotiation and arrangement of the lease, they increase the carrying amount of the underlying asset and are recognised over the lease term in the same way as rental income. Contingent rents are recognised as income in the period in which they are earned.

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 cost in the statement of financial position. They are measured at the lower of cost and net realisable value. The value of inventories comprises all 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.

Financial instruments

Initial recognition and measurement

After the initial recognition, a 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 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 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, a 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 assets

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.

Impairment of non-financial assets

On each reporting date the Company verifies the carrying amount of significant non-financial assets with the aim of establishing whether there are any signs of impairment. If such signs exist, the recoverable amount of the asset is estimated.

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 test, the assets that cannot be individually tested are classified in the smallest possible group of assets that generate cash flows from continued use and are mostly independent from receipts of other assets and groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment is disclosed in the income statement. Recognised impairment loss of a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit (group of units), and then to reduce the carrying amounts of the other assets of the unit (group of units) on a pro rata basis.

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 a 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.

Government grants due to the COVID-19 epidemic are state aid related to the reimbursement of employees' salary compensation, exemption from social security contributions, etc. The Company recognises government grants related to income under other operating revenues and not as a reduction in related costs. They are recognised as income over the periods necessary to match them with the related costs, which they are intended to compensate. They are recognised when there is reasonable assurance that the entity will comply with any conditions attached to the grants and the grants will be received. If there is uncertainty regarding the eligibility to the received grant (e.g. there is a possibility of the grant becoming repayable if the conditions are not fulfilled), the amount of the received grant is stated as deferred income until the (non)-fulfilment of conditions is determined.

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.

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 2020, the Company applied the tax rate of 19%, the same as in 2019.

3.2 NOTES TO THE FINANCIAL STATEMENTS

Unless indicated otherwise, all notes refer to the 2020 financial year. Monetary values in the tables are presented in euros (EUR), rounded to the nearest whole euro.

3.2.1 Intangible assets

2020

Content	Property rights	Other intangible assets	Total
Cost			
Balance as at 01/01/2020	2,624,361	487,163	3,111,524
New acquisitions	542,391	81,681	624,072
Disposals	-222,544	0	-222,544
Increase	0		0
Balance as at 31/12/2020	2,944,208	568,844	3,513,052
Accumulated value adjustment			
Balance as at 01/01/2020	1,111,014	410,931	1,521,945
Amortisation/depreciation	409,881	40,188	450,069
Disposals	-181,244	0	-181,244
Balance as at 31/12/2020	1,339,651	451,119	1,790,770
Carrying amount			
Balance as at 01/01/2020	1,513,347	76,232	1,589,579
Balance as at 31/12/2020	1,604,557	117,725	1,722,282

Major acquisitions of property rights in 2020 include the upgrade of the FDPS system and technical security system.

The share of fully written-off intangible assets in relation to the cost as at 31 December 2020 was 23.99%. As at 31 December 2020 the Company had no commitments for the acquisition of intangible fixed assets.

2019

Content	Property rights	Other intangible assets	Total
Cost			
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
Accumulated value adjustment			
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
Carrying amount			
As at 01/01/2019	783,509	114,058	897,567
As at 31/12/2019	1,513,347	76,232	1,589,579

3.2.2 Property, plant and equipment

2020

Content	Land	Buildings	Buildings – contribution in kind 2013	Buildings – long-term leases	Buildings in acquisition	Equipment	Equipment – long-term leases	Equipment in acquisition	Small tools and other equipment	Total
Cost										
As at 01/01/2020	221,680	16,773,322	61,839	3,056,085	0	35,090,412	106,394	263,143	67,213	55,640,088
New acquisitions	0	146,369	0	0	181,247	1,101,253	184,841	1,372,778	7,314	2,993,802
Disposals	0	0	0	0		-269,242	0	0	-4,771	-274,013
Transfer to use	0	0	0	0		0	0	-1,286,094	0	-1,286,094
Allowance for 2020	0	0	0	-128,557		0	0	0	0	-128,557
As at 31/12/2020	221,680	16,919,691	61,839	2,927,528	181,247	35,922,423	291,235	349,827	69,756	56,945,226
Accumulated value adjustment										
As at 01/01/2020	0	3,452,951	27,395	246,920	0	26,392,859	22,800	0	62,719	30,205,644
Amortisation/depreciation	0	504,860	2,013	273,432		2,637,713	64,238	0	4,365	3,486,621
Disposals	0	0	0	0		-267,116	0	0	-4,763	-271,879
As at 31/12/2020	0	3,957,811	29,408	520,352	0	28,763,456	87,038	0	62,321	33,420,386
Carrying amount										
As at 01/01/2020	221,680	13,320,371	34,444	2,809,165	0	8,697,553	83,594	263,143	4,494	25,434,444
As at 31/12/2020	221,680	12,961,880	32,431	2,407,176	181,247	7,158,967	204,197	349,827	7,435	23,524,840

The share of fully written-off property, plant and equipment in relation to the cost as at 31 December 2020 was 18.26%.

Major acquisitions in 2020 are:

- completion of the Slovenia Wide Area Multilateration System (SLOWAM) project;
- implementation of the Data-link service in line with the requirements of Commission Regulation 29/2009/EC;
- investments in the airport tower and new technical facility next to it in the area of Ljubljana Jože Pučnik Airport;
- purchase of the eARO online application, ADTM upgrade and acquisition of EAD terminals;
- investments in electrical installations and backup power supply at Maribor Edvard Rusjan Airport; and
- investing in information technology (IT).

As at 31 December 2020 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.

2019

Content	Land	Buildings	Buildings – contribution in kind 2013	Buildings – long-term leases	Equipment	Equipment – long-term leases	Equipment in acquisition	Small tools	Total
Cost									
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
Accumulated value adjustment									
As at 01/01/2019	0	2,942,239	25,382	0	24,179,150	0	0	74,382	27,221,153
Amortisation/depreciation	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
Carrying amount									
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

Due to a significant deterioration in financial performance in the 2020 business year as a result of the COVID-19 pandemic, the Company conducted an impairment test of property, plant and equipment as at 31 December 2020. An impairment test involves the determination of the recoverable amount of a cash-generating unit of all or individual assets, which corresponds to their value in use or fair value less costs to sell. Value in use is the present value of the future cash flows that the Company expects from each cash-generating unit.

On 31 December 2020, the Company, assisted by an independent certified business valuer, tested non-current assets or the estimate of assets' cash-generating unit as at 31 December 2020, which did not indicate the need for impairment. The estimated value of non-current assets exceeded the carrying amount, so no impairment as at 31 December 2020 was required.

Leases

Company as the lessee

For the needs of its business, the Company leases various real property, vehicles, office and other equipment. The lease term for real property is from five to thirty years, and for motor vehicles and equipment from one to five years. The payment of the lessee's lease liabilities is secured by the lessor's ownership of the underlying assets. Under many lease contracts, the Company has the option to extend or terminate the lease and the right to be paid a variable part of the lease payment, which is described in more detail below.

The Company has concluded lease contracts on the lease of certain equipment, the term of which is one year or less, and it also leases office equipment of low value. The Company uses the exception provided by the Standard for the recognition of liabilities from short-term leases and leases of low-value assets.

Changes in the carrying amount of right-of-use assets in the accounting period:

Content	Initial recognition as at 01/01/2020	Increase in 2020	Decrease 2020	Balance as at 31/12/2020
ASSETS				
Right-of-use assets	2,892,759	56,284	337,670	2,611,373
Total assets	2,892,759	56,284	337,670	2,611,373
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities from leases	2,394,896	84,180	627,377	1,851,699
Current liabilities				
Liabilities from leases	0	298,652	0	298,652
Total equity and liabilities	2,394,896	382,832	627,377	2,150,351

In 2020, 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 84,180. Assets decreased on the basis of depreciation equalling EUR 337,670.

Total amount stated in the income statement:

Content	31/12/2020	31/12/2019
Amortisation of the right of use	337,669	269,720
Lease expenses	232,057	248,253
Operating profit or loss	569,726	517,973
Financial expenses	44,693	47,434
Total amount stated in the income statement	614,419	565,407

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 venture, 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.

2020

Content	31/12/2019	Increase	Decrease	31/12/2020
For long-service awards	18,913	1,079	0	19,992
For retirement benefits	221,640	19,381	0	241,021
For holiday allowance	64,504	27,118	0	91,622
TOTAL	305,057	47,578	0	352,635

The effects of deferred taxes in the amount of EUR 47,578 were recognised in the Income statement.

2019

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
TOTAL	267,266	37,791	0	305,057

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 3.2.19.

Content	31/12/2019	Purchase	Expenditure	Impairment	31/12/2020
Spare parts	636,428	48,600	133,221	33,866	517,941
TOTAL	636,428	48,600	133,221	33,866	517,941

3.2.6 Current operating receivables

Content	31/12/2020	Adjustments	31/12/2020	31/12/2019
Receivables due from domestic buyers	196,732	9,381	187,351	162,514
Receivables due from foreign buyers	2,872,770	1,346,629	1,526,141	3,047,624
Receivables from state institutions	1,549,134	0	1,549,134	351,331
Other operating receivables	440,720	0	440,720	538,855
TOTAL	5,059,356	1,356,010	3,703,346	4,100,324

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

Changes in value adjustments of receivables

Content	2020	2019
As at 1 January	1,252,386	1,461,040
Value adjustments during the year (*in net amount)	912,026	443,984
Derecognition of impairment of receivables (*in net amount)	808,402	652,638
Final write-down (cancellation) of receivables	0	0
As at 31 December	1,356,010	1,252,386

The value adjustment of receivables in the amount of EUR 1,356,010 is made based on the report of Eurocontrol (see note 3.2.19).

The Company verified if the value adjustment of receivables recognised by Eurocontrol is adequate and found that the value adjustment of receivables as formed by Eurocontrol is appropriate, adequate and in accordance with IFRS 9.

Maturity structure of trade receivables

Content	2020	2019
Outstanding receivables	1,693,586	1,264,792
Receivables overdue up to 30 days	1,775	1,931,205
Receivables overdue up to 90 days	3,770	472
Receivables overdue over 90 days	14,361	13,669
Total	1,713,492	3,210,138

3.2.7 Cash assets

Content	31/12/2020	31/12/2019
Nova Ljubljanska banka d. d.	84,025	24,942
SKB banka d. d.	264	660
Banka Intesa Sanpaolo, d. d.	670,003	5,827,337
UniCredit Banka Slovenija, d.d.	3,385	976
Short-term call deposit	0	20,205
TOTAL	757,677	5,874,120

3.2.8 Equity

The Company closed the 2020 business year with a loss of EUR 14,395,672. Pursuant to paragraph 5 of Article 66 of the Companies Act (ZGD-1), the net loss for the year of EUR 2,790,596 is covered by the retained net profit from previous years, so that as at 31 December 2020 the remaining net loss of the financial year amounts to EUR 11,605,076.

On the basis of the 5th indent of the second paragraph of the Memorandum of Association, the Founder decided that the rest of net loss for the financial year 2020 in the amount of EUR 11,605,076, which remains after the use of retained earnings, be fully covered by releasing other revenue reserves so that the distributable loss as at 31 December 2020 is zero.

3.2.9 Provisions and long-term accrued costs and deferred revenues

2020

Content	Jubilee benefits and post-employment benefits	Lawsuits and damages	Other provisions	Other accrued costs and deferred revenue	Total
As at 01/01/2020	2,532,126	0	0	0	2,532,126
Establishment	276,142	0	0	0	276,142
Cancellation	-60,775	0	0	0	-60,775
Transfer to short-term part	0	0	0	0	0
As at 31/12/2020	2,747,493	0	0	0	2,747,493

2019

Content	Jubilee benefits and post-employment benefits	Lawsuits and damages	Other provisions	Other accrued costs and deferred revenue	Total
As at 01/01/2019	2,147,541	0	0	0	2,147,541
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
As at 31/12/2019	2,532,126	0	0	0	2,532,126

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 2020, 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 2020 was 46.3 years and as at 31 December 2019 it was 45.6 years.
- Employee turnover:
 - Employee turnover due to a termination of employment by the employee: Linearly decreasing from 1.0% at 18 years to 0.0% at 58 years, then constant at 0.0%. As at 31 December 2020, this constitutes an annual turnover of 0.3% in the following financial year.
 - Employee turnover due to an increase in dismissals by the employer 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 December 2020 in accordance with Article 27 of the Pension and Disability Insurance Act (Official Gazette of the RS, No. 96/12, 39/13, 99/13 – ZSVarPre-C, 101/13 – 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, 75/19, 139/20 and 189/20 – ZFRO) (hereinafter referred to as ZPIZ-2, (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.
 - 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.

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 2020 and in comparison with 31 December 2019. 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	
		31/12/2020	31/12/2019	31/12/2020	31/12/2019
Return	+0.5	-9,081	-8,877	-167,274	-157,616
	-0.5	9,797	9,532	183,688	172,539
Salary growth	+0.5	9,585	9,360	177,575	168,916
	-0.5	-9,021	-6,975	-163,764	-156,075
Fluctuation	+0.5	-9,179	-1,841	-168,949	-32,988
	-0.5	3,767	1,666	39,206	24,240

* The lowest fluctuation is taken to be 0%.

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 2020 (IMAD) were applied in the 2021 and 2022 calculations. From 2023 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 2022, 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 %)
2021	0.9	0.0	0.0
2022	2.7	0.0	0.0
2023	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 %)
2021	15.0*
2022	1.9
2023	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 2020, 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 rate for the calculation as at 31 December 2020 is set at 0.3%, reflecting the yield on high-quality (AA rating) corporate bonds as at 30 December 2020, denominated in EUR, taking into account the average weighted duration of the Company's liabilities (according to the calculated amount of liabilities before discounting) from the balance sheet date until payment by individual type of earnings (13.6 years).

3.2.10 Non-current financial liabilities

Content	31/12/2020	31/12/2019
Long-term loans raised from domestic banks	4,000,000	575,000
Non-current liabilities – leases IFRS 16	1,851,699	2,139,496
TOTAL	5,851,699	2,714,496

The Company was granted three long-term loans from three Slovenian banks:

- The 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 quarterly instalments, the first instalment was due on 1 December 2015, and the loan was repaid on 1 September 2020.
- The 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 quarterly instalments, the final repayment deadline is 1 April 2021. On 31 December 2020, the outstanding amount equalled EUR 575 thousand.
- The loan granted in the amount of EUR 12,000 thousand, the lender is Nova Ljubljanska banka d. d., the interest rate is 6-month EURIBOR + 0.5 percentage points per year. The loan will be repaid in quarterly instalments, the first instalment falls due on 1 February 2023 and the last on 1 November 2029. On 31 December 2020, the drawn amount equalled EUR 4,000 thousand.

In 2020, instalments totalling EUR 2,050,000 as recorded in the short-term liability items fell due. As at 31 December 2020, the Company has a debt of EUR 4,000,000 from long-term financial obligations. To raise the loans, the Company did not pledge any real estate or other assets.

Content	Principal as at	Maturity by year			
		31/12/2020	2021	2022	2023
Balance of bank loan principals, payments due by year	4,575,000	575,000	0	1,714,286	1,714,286
Expected interest	195,000	40,000	50,000	55,000	50,000
TOTAL	4,770,000	615,000	50,000	1,769,286	1,764,286

The Company applied the standard – IFRS 16 Leases – as it entered into force on 1 January 2019. Liabilities amounted to EUR 2,462,226 as at 31 December 2020. Liabilities in the amount of EUR 298,652, which fall due in 2021, are stated under current liabilities (note 3.2.11).

Content	Principal as at	Maturity by year			
		31/12/2020	Up to 1 years	Up to 2 year	Up to 3 years
Balance of principals of the lease liabilities under IFRS 16	2,150,351	298,652	298,652	298,652	1,254,395
Expected interest	311,875	52,032	52,032	52,032	155,779
TOTAL	2,462,226	350,684	350,684	350,684	1,410,174

Previous period

Content	Principal as at	Maturity by year			
		31/12/2019	Up to 1 year	Up to 2 years	Up to 3 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
TOTAL	2,139,496	302,650	302,650	302,650	1,231,546

Trends in financial liabilities

Content	2020	2019
As at 1 January	2,714,496	2,625,000
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	4,000,000	0
Receipts from leases under IFRS 16	0	2,139,496
Disbursements for leases under IFRS 16	-287,797	0
Payments for loans received	-575,000	-2,050,000
Changes in fair value of financial instruments	0	0
Changes in interest payable	0	0
Exchange rate differences	0	0
As at 31 December	5,851,699	2,714,496

3.2.11 Current financial liabilities

Content	31/12/2020	31/12/2019
Short-term loans raised from domestic banks	6,875,000	2,050,000
Current liabilities – leases IFRS 16	298,652	255,400
TOTAL	7,173,652	2,305,400

Trends in financial liabilities

Content	2020	2019
As at 1 January	2,305,400	2,430,783
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	6,875,000	2,050,000
Transfer of liabilities from non-current to current financial liabilities under IFRS 16	298,652	255,400
Disbursements for leases under IFRS 16	0	0
Payments for loans received	-2,305,400	-2,430,783
Changes in fair value of financial instruments	0	0
Changes in interest payable	0	0
Exchange rate differences	0	0
As at 31 December	7,173,652	2,305,400

The Company discloses as current financial liabilities the liabilities from long-term loans, the principal of which falls due in 2021 in the amount of EUR 575,000, and short-term loans totalling EUR 6,300,000, which become payable in 2021, and part of non-current lease liabilities under IFRS 16 equalling EUR 298,652 and payable in 2021 (see also note 3.2.10).

3.2.12 Current operating trade payables

Content	31/12/2020	31/12/2019
Trade payables - domestic	756,707	1,641,313
Trade payables - foreign	784,090	704,853
TOTAL	1,540,797	2,346,166

As at 31 December 2020, the Company reports no overdue trade payables.

3.2.13 Other current operating liabilities

Content	31/12/2020	31/12/2019
Payables to employees	1,398,959	1,242,847
Payables to state institutions	279,932	1,224,507
Other operating liabilities	8,095	16,098
TOTAL	1,686,986	2,483,452

3.2.14 Other current liabilities

Content	01/01/2020	Establishment	Expenditure	31/12/2020
Unused annual leave	678,988	951,549	666,083	964,454
CEO's bonus included in calculation	53,492	0	20,572	32,920
Short-term deferred revenue	35,850	253,045	0	288,895
TOTAL	768,330	1,204,594	686,655	1,286,269

3.2.15 Revenues from sales from contracts

Content	2020	2019
Revenues from sales from contracts in the Republic of Slovenia	866,782	992,943
Revenues from sales from contracts in the EU	125,010	331,380
Revenues from sales from contracts abroad	1,110	1,380
Revenues from sales from contracts - en-route charges	13,550,098	37,119,930
Revenues from sales from contracts - terminal charges	914,515	3,371,984
TOTAL	15,457,515	41,817,617

A detailed analysis of sales revenues generated from en-route and terminal charges is presented in Section 4.2 – Air Traffic Analysis of the Business Report.

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 3.2.24 should be read.

Commission Implementing Regulation (EU) 2019/317 lays down a performance and charging scheme in the third reference period (2020–2024). As specified in Articles 25 to 28, all deviations, especially in traffic and inflation, which provided the basis for the calculation of the unit rate for year n, will be adjusted for the calculation of the unit rate for year n+2. In accordance with Commission Implementing Regulation 2019/317/EU and the set performance targets, the Performance Plan for the period 2020–2024 was prepared in autumn 2019.

The changed circumstances resulting from the negative impact of the outbreak of COVID-19 on the volume of air traffic strongly affect the procedures and measures for implementing the performance and charging scheme in the reference period 2020–2024. Therefore, the European Commission adopted Commission Implementing Regulation 2020/1627/EU on exceptional measures, whereby it established a provisionally amended legal framework for the third reference period, taking into account the emergency situation in the aviation sector.

Article 5 of this Regulation specifically sets 2020 and 2021 as the specific period N, and adjustments for deviations will be made through the calculation of unit rates in the 2023-2027 period. This change will result in changes of performance targets which will be adopted by the European Commission by the end of April 2021, due to which a new draft Performance Plan will have to be formulated by the end of 2021.

From the point of view of the impact of the risk-sharing mechanism on the Company's operations in years N (2020 and 2021), the relevant provisions are those that change the adjustment period for over/under recovery from traffic, inflation and investment risk-sharing so that the adjustments are not included in the calculation of unit rate in the year (N+2) but are spread equally over a five-year period from 2023 to 2027.

The Company's management estimates that the new Performance Plan will not have an impact on the financial statements for 2020, since according to IFRS, the Company does not record deviations of the categories subject to adjustment in its books in the current year, and all adjustments will be made through future rate, i.e. in 2023–2027.

3.2.16 Other operating revenues

Content	2020	2019
EU grants	149,507	232,190
Revenues from reversals of provisions	1,508	0
Other revenue associated with business effects	42,675	20,605
Government grants for COVID-19	1,899,987	0
TOTAL	2,093,677	252,795

Government grants for COVID-19 epidemic

Content	2020	2019
Contributions for pension and disability insurance	1,000,063	0
Furlough	224,924	0
Uncovered fixed costs	675,000	0
TOTAL	1,899,987	0

Government aid for COVID-19 in the amount of EUR 1,000,063 is recognised as revenue from the contributions paid by the government to cover pension insurance expenses, received by all companies that operated during the time of the declared epidemic from 12 March 2020 to 31 May 2020. It represents an unconditional grant.

In accordance with the legislation on intervention measures aimed at preserving jobs, the Company also received compensation for furloughed employees during the epidemic in the amount of EUR 224,924. For the period October - December 2020, the Company received government aid for uncovered fixed costs in the amount of EUR 675,000. Government aid received due to the COVID-19 epidemic, stated

as revenue in 2020 in the amount of EUR 675 thousand, is dependent on the fulfilment of the conditions set out in the Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic (Official Gazette of the RS, No. 175/20, 203/20 - ZIUPOPDVE, 15/21 - ZDUOP and 57/21 - CC Dec.) (decline in revenues in the last quarter of 2020 compared to the same period of 2019 greater than 30% up to 70%). The Company's management assessed that the conditions for entitlement to grants as at 31 December 2020 were met and therefore recognised them under revenues. Other related revenues in 2020 are not dependent on the fulfilment of conditions.

3.2.17 Cost of materials and services

Costs of materials

Content	2020	2019
Costs of auxiliary material	133,221	54,811
Energy costs	262,032	267,806
Costs of spare parts and maintenance materials	65,817	153,419
Write-off of small tools – useful life of up to one year	5,591	281
Costs of office supplies and professional literature	41,917	50,494
Other costs of material	34,356	29,737
TOTAL	542,934	556,548

Cost of services

Content	2020	2019
Costs of transport services	4,310	1,822
Internet and telephone costs	457,282	457,697
Costs of services related to maintenance	1,082,780	992,730
Leases not covered by IFRS – 16	232,058	248,253
Reimbursement of employee work-related costs	79,098	411,111
Payment transaction costs	14,339	19,556
Costs of insurance premiums	171,939	166,699
Cost of intellectual and personal services	267,707	315,599
Costs of trade fairs, advertising and entertainment	51,492	74,023
Costs of contracts for services, royalties and Student Work Centre	30,032	57,068
Costs of attendance fees of the Supervisory Board and Workers' Council	83,870	93,137
Costs of aviation meteorology - en-route	598,477	1,521,053
Costs of aviation meteorology - terminal	157,193	453,615
Costs of the Civil Aviation Agency - en-route	371,515	796,165
Costs of the Civil Aviation Agency - terminal	26,581	91,455
Other costs of services	1,386,601	1,000,767
TOTAL	5,015,274	6,700,750

3.2.18 Labour costs

Content	2020	2019
Wages and salaries	15,774,750	18,328,667
Costs of supplementary pension insurance of employees	252,693	616,919
Other pension insurance costs	1,406,021	1,625,079
Costs of other social security insurance	1,151,702	1,337,045
Augmented pension insurance period contributions	743,004	895,583
Costs of meals and travel allowances	535,815	746,315
Holiday allowance	211,617	385,026
Other reimbursements to employees	8,186	0
Provisions for jubilee benefits and post-employment benefits	483,575	0
Severance pay	180,584	168,687
Jubilee benefits and other payments to employees	5,284	23,341
TOTAL	20,753,231	24,126,662

The average number of employees based on the total number of hours worked in 2020 was 221.73.

Employee structure

Average number of employees in 2020	
Air traffic control posts requiring a licence – licensed staff	
• Air traffic services posts – air traffic controllers	106
• Air traffic services posts – operators (FDT+FIS)	16
• Communications, navigation and surveillance posts	36
• Aeronautical information services posts	22
Total licensed staff	180
Non-licensed staff	45
Total employees	225

3.2.19 Write-downs and impairment and reversal of impairment of financial assets (net amount)

Content	2020	2019
Depreciation of intangible assets	409,881	329,023
Depreciation of buildings	515,676	512,726
Depreciation of buildings - IFRS 16	273,432	246,920
Depreciation of equipment	2,637,713	2,641,161
Depreciation of equipment - IFRS 16	64,237	22,800
Depreciation of small tools	4,365	4,730
TOTAL	3,905,304	3,757,360

Content	2020	2019
Loss on retirement of fixed assets	43,435	8,210
Impairment of inventories	33,866	40,938
TOTAL	77,301	49,148

Content	2020	2019
Value adjustments during the year	912,026	443,984
Derecognition of impairment of receivables	808,402	652,638
TOTAL	103,624	-208,655

3.2.20 Other operating expenses

Content	2020	2019
Membership fees and other operating expenses	1,473,122	1,580,201
Costs of donations and humanitarian aid	9,800	15,450
TOTAL	1,482,922	1,595,651

Membership fee paid to Eurocontrol in the period concerned is EUR 1,410,169 (2019: EUR 1,527,729).

3.2.21 Financial expenses

Content	2020	2019
Interest on loans	34,212	48,674
Financial liabilities under IFRS 16	44,693	47,434
Costs of interest on jubilee benefits – actuarial calculation	1,615	3,031
Costs of interest on retirement benefits – actuarial calculation	32,082	40,620
Expenses for operating liabilities	1,281	705
TOTAL	113,883	140,464

3.2.22 Tax return – corporate income tax

Content	2020	2019
REVENUES determined in accordance with accounting regulations	18,359,624.46	42,723,107.76
Exemption of income arising from reversal of impairments if the preceding impairment was not taken into account	0.00	-530,969.81
EXPENSES determined in accordance with accounting regulations	-32,802,874.84	-37,370,568.28
Decrease in expenses for 50% of established provisions not recognised for tax purposes	99,054.33	0.00
Decrease in expenses due to revaluation of receivables - Article 21 of the Corporate Income Tax Act	912,025.97	434,984.32
Non-deductible expenses for interest on taxes and other levies paid late	920.26	447.59
Non-deductible expenses for donations	9,800.00	15,450.00
Non-deductible expenses for benefits and other employment-related payments were not subject to tax pursuant to the Personal Income Tax Act	252,692.88	616,919.43
Other non-deductible expenses pursuant to Article 29 of the Corporate Income Tax Act	0.00	0.00
Non-deductible expenses in the amount of 50% of entertainment costs	11,409.46	35,661.51
Non-deductible expenses in the amount of 50% of the costs of the Supervisory Board or another body having only a supervisory function	41,935.01	46,568.41
Amount of claimed tax relief for investments based on the sale or disposal of an asset prior to the expiry of the regulatory period	0.00	2,844.98
Relief for investments pursuant to Article 55.a of the ZDDPO-2	0.00	-1,104,286.72
Relief for supplementary pension insurance	0.00	-616,727.66
Relief for donations – amounts paid for humanitarian, disability, social security, charity, scientific, educational, healthcare, sports, cultural, ecological and religious purposes	0.00	-15,450.00
TAX BASE	0.00	4,237,981.53
TAX LOSS	-13,115,412.47	0.00
TAX - 19%	0.00	805,216.49

In accordance with Article 55 of the Corporate Income Tax Act (Official Gazette of the RS, No. 117/06, 56/08, 76/08, 5/09, 96/09, 110/09 –ZDavP-2B, 43/10, 59/11, 24/12, 30/12, 94/12, 81/13, 50/14, 23/15, 82/15, 68/16, 69/17, 79/18 and 66/19) (hereinafter referred to as: ZDDPO) in the tax return for the period concerned, the Company transferred investment relief in the amount of EUR 965,919.47 (40% of cost equalling EUR 2,414,798.67) to subsequent tax periods due to tax loss.

Adjustment to the effective tax rate in the previous period

Content	2019
Current tax	805,216
Deferred taxes	-37,791
Total income tax	767,425
Profit before tax	5,352,539
Corporate income tax 19%	1,016,983
Tax-exempt revenue and increase in expenses	0
Tax-exempt dividends received	0
Tax for tax reliefs	-329,928
Tax on non-deductible expenses	196,985
Tax on non-deductible expenses associated with investment impairments	0
Other tax base reductions	0
Total income tax	884,040
Effective tax rate	16.52 %

3.2.23 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 reporting date, using the market interest rate.

Fair value hierarchy

2020	Valuation at fair value			
	Book value as at 31 December 2020	Direct value on stock markets (level 1)	Value based on market observables (level 2)	Value cannot be derived from market observables (level 3)
Non-current financial investments	16,000	0	0	16,000
Trade receivables	1,713,492	0	0	1,713,492
Cash assets	757,677	0	0	757,677
Assets whose fair value is disclosed	2,487,169	0	0	2,487,169
Total fair value of assets	2,487,169	0	0	2,487,169
Trade payables – current and non-current	1,540,797	0	0	1,540,797
Financial liabilities – current and non-current according to IFRS 16	2,150,351	0	0	2,150,351
Loans raised	10,875,000	0	0	10,875,000
Liabilities whose fair value is disclosed, total	14,566,148	0	0	14,566,148
Total fair value of liabilities	14,566,148	0	0	14,566,148

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)
Non-current financial investments	16,000	0	0	16,000
Trade receivables	3,210,137	0	0	3,210,137
Cash assets	5,874,120	0	0	5,874,120
Assets whose fair value is disclosed	9,100,257	0	0	9,100,257
Total fair value of assets	9,100,257	0	0	9,100,257
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	2,394,896
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

3.2.24 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

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 2019 (surplus revenue) and 2020 (loss of revenue), this difference significantly affects the Company's current P/L as well as the P/L in the future

years, therefore the Company checked whether it would be correct to recognise long-term provisions or regulatory liabilities or assets in this regard.

IAS 37 does not permit the recognition of provisions or excess revenue arising from regulatory liabilities. The key reason (according to currently applicable standards) is that the decrease or increase in the future rate in the following years, which is the consequence of too high or too low rate due to more or fewer 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 liabilities (deferred excess revenues) do not meet the criteria under the definition of liabilities according to IFRS, which requires the existence of current liabilities without contingent future events, so the Company does not form long-term provisions or regulatory liabilities or assets.

3.2.25 Financial instruments and financial risk management

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 4,000,000 (2019: EUR 575,000). As at 31 December 2020, the short-term portion of its financial liabilities totalled EUR 6,875,000 (2019: EUR 2,050,000). 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

2020

Balance of liabilities tied to individual variable interest rates	Liabilities as at 31/12/2020	Interest rate increase by 0.5%	Interest rate decrease by 0.5%
1-month EURIBOR	1,300,000	6,500	-2,600
3-month EURIBOR	575,000	2,875	-2,875
6-month EURIBOR	9,000,000	45,000	-30,000
Total	10,875,000	54,375	-35,475

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

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.

Because of the uncertainty at the time of the epidemic, the Company pays special attention to liquidity risk. In addition to regular weekly and monthly monitoring of traffic, traffic forecasts by professional organisations (especially Eurocontrol), revenues, costs and taking measures to streamline all operating costs, the Company manages liquidity risk by raising credit lines on the banking market and carefully planning cash flows. Without the measures taken by the Company, its ability to settle its liabilities and thus its solvency could be at risk. To ensure adequate liquidity in 2020 and 2021, the Company took out additional short-term revolving loans, thus ensuring that its operations will be continuous and non-jeopardised. It also raised a long-term loan in 2020 to finance the necessary investments in 2020–2022 with a grace period until 2023.

Despite the impact of the COVID-19 epidemic on its operations, the Company still has a good credit rating and obtains credit lines under very competitive terms.

2020	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	11,038,125	6,907,625	4,130,500	11,038,125
Liabilities from leases, including expected interest	2,462,226	298,652	2,163,574	2,462,226
Trade payables	1,540,797	1,540,797	0	1,540,797
Total non-derivative financial liabilities	15,005,148	8,711,074	6,294,074	15,005,148
Total	15,041,148	8,747,074	6,294,074	15,041,148

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	2,656,250	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

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). In terms of credit risk, it is worth noting that the Company's revenues from en-route charges are characterised by an extremely high degree of customer diversification, as none accounts for more than 6.5%, while the revenues from this source represent nearly 90% of total sales revenues. Revenues from terminal services constitute under 10% of total sales revenues, with none of the customers accounting for 12%.

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.

The 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 the adoption of IFRS 9, the Company re-examined the adequacy of the recognition of the allowance for expected credit losses and found that impairments of operating receivables recognised on behalf of the Company by Eurocontrol are appropriate and consistent with IFRS, and therefore did not make any additional impairments of operating receivables.

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, the Company also follows the strategic orientations and expectations of its Founder in the capital management and dividend policy.

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 2.97 in 2020, while the ratio stood at 1.53 in 2019.

3.2.26 Implementation of other activities

In 2020, the Company generated revenues from implementation of other activities in the amount of EUR 175,631, of which EUR 123,600 from training of controllers from Bosnia and Herzegovina, EUR 38,998 from leasing of real estate (hangar at Jože Pučnik Airport) and EUR 13,033 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 0.96% of all operating revenues of the Company. The Company incurred no additional costs from other activities in 2020.

3.2.27 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, Ltd. It is detailed under 3.2.3.

In 2020, the Company's transactions with FABCE, Ltd generated revenues of EUR 42,240 from the rental of business premises and technical equipment and supporting administrative, accounting and legal services. As at 31 December 2020, the Company had no overdue receivables due from or payables due to FABCE, Aviation Services, Ltd.

3.2.28 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 2020 occurred between the date of the financial statements and the date of this report.

Due to the COVID-19 epidemic, the negative effects of which persist in 2021, and the general uncertainty regarding its development, it is impossible to assess the final impact on the Company's operations and the realisation of accounting estimates.

Although air traffic forecasts for 2021 are very uncertain, they indicate that the recovery will be very slow and largely dependent on the development of the epidemic, vaccine availability and vaccination rate, as well as the general economic recovery and the restoration of confidence and demand for air transport. The Company will thus strive to take all the necessary measures for the continuous provision of services and stable operations.

3.2.29 Contingent liabilities and contingent assets

The Company does not have any contingent liabilities that are not appropriately disclosed in the Statement of financial position as at 31 December 2020. 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.

In accordance with IFRS 15 and IAS 37, the Company does not recognise the effect of the risk-sharing mechanism on future profit or loss in its books, as it fulfils the conditions for contingent assets and liabilities that will have a significant impact on the Company's future cash flows and operations. The Company describes below the effect of the risk-sharing mechanism, which is detailed in Section 3.2.24.

The Company included in the assessment of contingent liabilities and assets the assessment of the potential impact of the traffic and inflation risk-sharing mechanism on en-route phase.

Financial impact assessment - contingent assets arising from under recovery on the basis of the risk-sharing mechanism:

	Balance as at 31/12/2020	Change	As at 01/01/2020
Traffic adjustment – 2018	49,090	-68,070	117,160
Traffic adjustment – 2019	239,544	0	239,544
Traffic adjustment – 2020*	13,580,000	13,580,000	0

*Estimate based on the data available at the time the Annual Report was prepared

Financial impact assessment - contingent liabilities arising from over recovery on the basis of the risk-sharing mechanism:

	Balance as at 31/12/2020	Change	As at 01/01/2020
Inflation adjustment – 2018	718,324	-996,052	1,714,376
Traffic adjustment – 2018	525,926	-729,268	1,255,194
Inflation adjustment – 2019	1,829,405	0	1,829,405
Traffic adjustment – 2019	3,187,266	0	3,187,266

Contingent assets and contingent liabilities are expected to be realised, but the exact amounts depend on uncertain future events that are not entirely under the control of the Company (future traffic, stakeholder approval, etc.).

3.2.30 Audit costs

Purpose of expenditure	2020	2019
Annual report audit	9,500	9,500
Other services of giving assurance	2,750	2,500
TOTAL	12,250	12,000

3.2.31 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 2020:

	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	111,083	17,720	0	0	8,364	0	137,167	61,273

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 RS, Nos 21/10, 8/11 – ORZPPOGD4 and 23/14 – ZDIJZ-C). The Company has no outstanding claims arising from loans to the CEO.

In 2020, the Supervisory Board consisted of six members, four representing the interests of the Founder and two representing the employees.

The gross and net remuneration of Supervisory Board (SB) members and the Audit Committee (AC) of the Supervisory Board in 2020 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	10,151	1,572	2,418	14,141	10,384	266
Rok Prešern**	Deputy President of the SB	2,351	0	646	2,997	2,203	64
Marija Šeme Irman, MBA***	Member of the SB and Chair of the AC	5,673	1,795	1,942	9,410	6,840	120
Borut Lackovič Žumer	Member of the SB since 30 August 2020	2,323	0	646	2,969	1,831	402
Gorazd Čibej, MSc	Member of the SB until 29 August 2020	4,507	0	1,170	5,677	4,127	80
Nikolaj Abrahamsberg, MSc	Member of the SB until 23 November 2020	6,151	0	1,646	7,797	5,763	477
Žiga Ogrizek****	Member of the SB and member of the AC	6,867	1,289	2,026	10,183	7,506	0
Boštjan Mišmaš	Member of the SB since 1 July 2020	3,485	0	782	4,267	3,098	43
Davor Mizerit	Member of the SB and member of the AC until 18 February 2020	1,131	283	360	1,774	1,290	0
Urška Kiš	Members of the AC	0	1,572	710	2,282	1,765	56

*Dušan Hočevar: President of the SB until 24 November 2020 and from 17 December 2020; member of the SB from 25 November to 16 December 2020; Deputy Chair of the AC in 2020;

**Rok Prešern: member of the SB from 30 August to 16 December 2020 and Deputy President of the SB from 17 December 2020;

***Marija Šeme Irman: Deputy President of the SB until 29 August 2020 and member of the SB from 24 November 2020; Chair of the AC until 29 August 2020 and from 17 December 2020;

****Žiga Ogrizek: member of the SB in 2020 and member of the AC from 19 February 2020.

3.2.32 Proposed covering of loss

The Company closed the 2020 business year with a loss of EUR 14,395,672. Pursuant to paragraph 5 of Article 66 of the Companies Act (ZGD-1), the net loss for the year of EUR 2,790,596 is covered by the retained net profit from previous years, so that as at 31 December 2020 the remaining net loss of the financial year amounts to EUR 11,605,076.

On the basis of the 5th indent of the second paragraph of the Memorandum of Association, the Founder decided that the rest of net loss for the financial year 2020 in the amount of EUR 11,605,076, which

remains after the use of retained earnings, be fully covered by releasing other revenue reserves so that the distributable loss as at 31 December 2020 is zero.

3.2.33 Statement of the management's responsibility

Pursuant to the provisions of Article 60a of the Companies Act, on 19 April 2021, 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 2020.

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, 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

Zgornji Brnik, 19 April 2021

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
ATIS	Samodejna storitev letaliških informacij	Automatic Terminal Information Service
ATM	Upravljanje zračnega prometa	Air Traffic Management
ATM Master Plan	Osrednji načrt za upravljanje zračnega prometa v Evropi	European Air Traffic Management Master Plan
ATS	Službe zračnega prometa	Air Traffic Services
ATSB	NewPENS Nadzorni odbor	NewPENS Supervisory Board
ATSU	Enota izvajanja službe zračnega prometa	Air Traffic Service Unit
Austro Control	Avstrijski izvajalec navigacijskih služb zračnega prometa	Austro Control, Österreichische Gesellschaft für Zivilluftfahrt mbH, Austria
BALTIC FAB	Funkcionalni blok zračnega prostora baltskih držav	Baltic Functional Airspace Block
BLUE – MED FAB	Funkcionalni blok zračnega prostora BLUE MED (Mediterski 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	Centralized 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
DME	Naprava za merjenje razdalje	Distance Measuring Equipment
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 marža	Dobiček iz poslovanja / kosmati donos iz poslovanja	Earnings Before Interest and Taxes / Gross Operating Income

EBITDA marža	Poslovni izid pred obrestmi in davki, deprecijacijo in amortizacijo / kosmati donos iz poslovanja	Earnings Before Interest, Taxes Depreciation and Amortization / 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 FIR	FAB CE skupina za kibernetiko varnost Letalsko informacijsko področje	FAB CE Cyber Security Group 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
HungaroControl	Madžarski izvajalec navigacijskih služb zračnega prometa	Hungarian Air Navigation Services, Hungary
IATA	Mednarodno združenje letalskih prevoznikov	International Air Transport Association
ICAO	Mednarodna organizacija civilnega letalstva	International Civil Aviation Organization
IFR	Pravila instrumentalnega letenja	Instrument Flight Rules
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	Ključni kazalnik uspešnosti	Key Performance Indicator
LKZP	Letališka kontrola zračnega prometa	Aerodrome Control
LoA	Sporazum o postopkih koordinacije med kontrolami zračnega prometa	Letter of Agreement
LPS	Slovaški izvajalec navigacijskih služb zračnega prometa	Letové Prevádzkové Služby Slovenskej Republiky, Státny Podnik, Slovak Republik
LSSIP	Lokalni načrt implementacije enotnega neba	Local Single Sky Implementation Plan
MET	Službe letalske meteorologije	Meteorological Services
Mode S	Način S sprejema podatkov sekundarnega radarskega odzivnika	Mode S
MPLS	Večprotokolna komutacija z zamenjavo label	Multi protocol label switching
MRS	Mednarodni računovodski standardi	International Accounting Standards
MSRP	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
NATO	Organizacija Severnoatlantske pogodbe	North Atlantic Treaty Organisation
NAV	Navigacija	Navigation
NewPENS	novi 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
OKZP	Območna kontrola zračnega prometa	Area Control Centre
OLDI	Sprotna izmenjava podatkov	On-line Data Interchange
OMRS	Odbor za mednarodne računovodske standarde	International Accounting Standards Committee
OPMSRP	Odbor za pojasnjevanje mednarodnih standardov računovodskega poročanja	International Financial Reporting Interpretations Committee
ORM	Povratno sporočilo, ki se nanaša na načrt leta	Operational Reply Message

PBN	Navigacija, ki ne temelji le na konvencionalnih zemeljskih navigacijskih sredstvih	Performance based Navigation
PIB	Predpoletni Informacijski Bilten	Pre-flight 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
RCSE	Naprava daljinskega nadzora in prikaza statusa	Remote Control and Status Equipment
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
SLI	Sektor letalskih informacij	Aeronautical Information Department
SLT	Sektor letalskih telekomunikacij	Communications, Navigation and Surveillance Department
SMRS	Svet za mednarodne računovodske standarde	International Accounting Standards Committee
SMS	Sistem upravljanja varnosti	Safety Management System
SNL	Služba za navigacije in letališča	Navigation and airports department
SOC	Oddelek za kibernetiko in varnost	Security Operations Center
SSR	Sekundarni nadzorni radar	Secondary Surveillance Radar
STATFOR	Eurocontrolova storitev statistike in napovedi	EUROCONTROL Statistics and Forecast Services
STCA	Kratkoročni alarm iz radarskih podatkov pri potencialnem računanem padcu separacije	Short Term Conflict Alert
SUR	Nadzor	Surveillance
SW	Programska oprema	SoftWare
SZP	Sektor zračnega prometa	Air Traffic Department
TMA	Terminalno področje	Terminal Area
TMCS	Sistem za tehnični nadzor	Technical Monitoring and Control System
TNC	Tehnično-nadzorni center	System Monitoring and Control
UAV	Brezpilotni zrakoplov, brezpilotni letalnik	Unmanned Aerial Vehicle
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
VoIP	Govor prek internetnega protokola	Voice Over Internet Protocol
X strežnik	X strežnik kontrolorske delovne pozicije	X server