



ANNUAL REPORT 2021

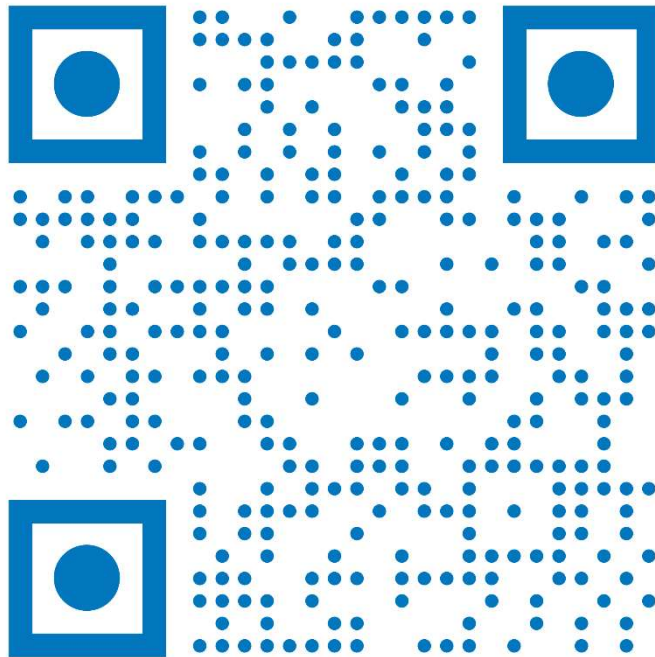


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INTRODUCTION

Air traffic control is the service that invisibly controls, manages and coordinates air traffic - every day, in all weathers, all over the world.

THE COMPANY'S VISION, MISSION AND VALUES

Vision

Every day, Slovenia Control (hereinafter also referred to as: "the Company") provides safe and reliable air traffic management services as well as air navigation services to airspace users.

With highly qualified and motivated professionals, in an entrepreneurial spirit and for the benefit of our customers, we achieve excellence in the provision of we achieve excellence in the provision of air navigation and air traffic management services in Slovenian and regional airspace that are flexible in capacity, affordable, cost-effective, sustainable and of high-quality.

Mission

As a trusted organisation, the Company is fully committed to ensuring safety in the air traffic management and control (ATM) process.

We are proactive and productive, continuously improving the Single European Sky (SES) aviation network with innovative solutions, together with our business and institutional partners.

The Company is committed to its mission:

- to be a certified provider of air traffic management and air navigation services under the Single European Sky regulations, designated for the provision of safe, flexible in capacity, affordable, cost-effective, sustainable and quality air traffic management and air navigation services in Slovenian airspace and, where appropriate, beyond;
- to be prepared to provide air traffic management and air navigation services as an active partner within the functional airspace blocks on the Slovenian territory.

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

The values and fundamental principles of the Company

The Company has identified and defined common values and core principles that guide all employees and are part of the Company's organisational culture and form the basis of the Company's mission and vision.

SAFETY

Achieving, delivering and continuously improving safety levels and targets is the Company's primary focus, with the aim of achieving excellence in the provision of safe, flexible in capacity, affordable, cost-effective, sustainable and quality services. Service safety is prioritised over other corporate values.

RELIABILITY

We want to be a reliable partner to our partners, our customers and interest groups.

RESPONSIBILITY

The responsible behaviour of the Company's bodies and the attitude of its employees towards the provision of air navigation services are aimed at ensuring safe, regular and efficient air traffic.

PROFESSIONALISM

This is achieved through competence, accuracy, care, diligence, conscientiousness and with responsibility to high standards of work process performance.

DEDICATION TO SERVICE

We respond to the needs of stakeholders in a socially responsible and non-discriminatory manner, in line with the Company's mission.

RESPECT

We act by being fair, impartial, honest, trusting and friendly to colleagues, industry peers and stakeholders.

TEAMWORK

This is achieved through non-discriminatory, interdependent and mutually reinforcing teamwork with colleagues, industry peers and stakeholders.

KNOW-HOW

We are building on the general, professional and specialised knowledge of our employees. We strive to develop a humane attitude towards work and people at work, and to train people to adapt quickly to change. We invest in training individuals to develop their careers and personal growth.

COMPLIANCE AND INTEGRITY

This is achieved through transparency and zero tolerance of corruption, illegal and unethical behaviour by employees, management and members of the supervisory body.

SUSTAINABLE BUSINESS

This is achieved by operating the Company in accordance with the principles of sustainable development, without compromising the ability of future generations to meet their own needs, while ensuring an appropriate balance between business performance, environmental protection (rational use of energy, waste segregation and prevention of negative impacts on the environment) and social responsibility. Corporate social responsibility and sustainable business are integrated throughout the Company's organisation and are implemented in all its relations, involving all stakeholders who have any interaction with the Company.

RESPECT FOR HUMAN RIGHTS

This is achieved by respecting human rights as enshrined in the Constitution and applicable law, and by promoting human rights in the economy, as set out in the National Action Plan, together with the actions it sets out.

COMPETITIVE ORIENTATION

Slovenia Control is committed to strengthening its cooperation with neighbouring countries and its role in the envisaged transformation of the airspace in the region. This is linked to the main objective of ensuring the safe, smooth and efficient flow of air traffic. In line with the European Union's statutory objectives on the cost-effectiveness of the provision of air navigation services in the Single European Sky, synergies in the provision of cost-effective services in the region are being strengthened in cooperation with air navigation service providers from neighbouring countries. The development of functional airspace blocks represents the realisation of one of the essential requirements of the Single European Sky (SES) legislation as a key mechanism which represents a framework established by Member States to enhance cooperation and integration. In turn, this leads to a more rational organisation of airspace and service provision in order to meet the expectations of airspace users. The Company actively contributes to the achievement of the European Commission's objectives in relation to the creation of functional airspace blocks in Europe within the Functional Airspace Block Central Europe (FAB CE). In this context, it participates in maintaining the competitiveness of its own know-how and high technological capabilities for the future provision of air traffic management and air navigation services in the Slovenian airspace.

DEVELOPMENT ORIENTATION

The Company holds a certificate (licence) for the provision of air traffic management (ATM) / air navigation services (ANS); specifically, 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). The Company provides the technical and operational capability and expertise for the management of air traffic and the provision of air navigation services in a safe, uninterrupted, flexible in capacity, affordable, cost-effective, sustainable and quality manner; it continuously adapts its capacities to the current or any kind of future density of air traffic flows in a given airspace. Subordinate to the latter, the Company is certified as an organisation for the training and qualification of air traffic controllers. This training organisation provides training of all operational staff of a provider of air traffic management (ATM)/air navigation services (ANS) and maintains their competence.

In accordance with the requirements of the Act on the Provision of Air Navigation Services and the Company's Articles of Association, the Company adopts a Five-Year Business Plan. Such Plan is considered a strategic document, in accordance with the requirements of Slovenian legislation and European Single European Sky (SES) regulations, and contains the Company's development strategy, which by improving the overall efficiency of air navigation services demonstrates the Company's contribution to the sustainable development of the air traffic system.

The development orientations, as summarised in the current Business Plan for the 2020-2024 Period, are focused on achieving and improving the performance of air traffic management (ATM)/air navigation services (ANS), that is, air navigation services (ANS) in the key areas for monitoring the performance: (i) safety, (ii) environment, (iii) capacity and (iii) cost-efficiency. These areas are in line with performance areas, which are defined in the ATM Master Plan, and in accordance with the Performance Plan 2020-2024 for the Republic of Slovenia from 2021. In accordance with the European Single European Sky (SES) regulations, and in respect of the provision of air navigation services and air traffic management, the said Performance Plan sets out the binding (and other) performance targets which were set by the Republic of Slovenia for the third reference period as regards the monitoring of Key Performance Indicators (KPIs) in the 2020-2024 period.

In the third reference period between 2020 and 2024, the Company considers the achievement of the Union-wide performance targets to be an important strategic focus. For this period, Union-wide targets and indicators have been defined for all four key performance areas: (i) capacity, (ii) cost-efficiency, (iii) safety and (iii) environment. In 2019, in accordance with Commission Implementing Regulation (EU) 2019/317 of 11 February 2019 laying down a performance and charging scheme in the single European sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013 (OJ L 56, 25.2.2019, p. 1), the draft 2020-2024 Performance Plan for the Republic of Slovenia was prepared for the third reference period (RP3) with the aim of monitoring the Union-wide performance targets. However, the said Plan was not validated due to the emergence of the COVID-19 epidemic.

The changed circumstances, which have arisen as a result of the negative impact of the emergence of the coronavirus disease COVID-19 on the global economy in 2020, and thus on air traffic volumes as a result of the drop in demand and the direct measures taken by European Union (EU) Member States and third countries to contain the pandemic, have had a significant impact on the procedures and measures to comply with the performance and charging scheme in the third reference period 2020-2024. This also includes the setting of performance targets and unit rates, and the use of incentive schemes and risk sharing mechanisms. Therefore, the adoption of temporary emergency measures was required. The European Commission adopted Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on emergency measures for the third reference period (2020 - 2014) of the single European sky performance and charging scheme due to the COVID-19 pandemic (OJ L No. 366, 4 November 2020, p. 7) (hereinafter referred to as: "Commission Implementing Regulation 2020/1627/EU"), by way of which a provisionally amended legal framework for the third reference period was adopted, taking into account the emergency situation in the aviation sector. This amendment also brought changes to the setting of binding (and other) performance targets, which were adopted by the European Commission by way of Commission Implementing Decision (EU) 2021/891 of 2 June 2021 setting revised Union-wide performance targets for the air traffic management network for the third reference period (2020-2024) and repealing Implementing Decision (EU) 2019/903 (OJ L No. 195, 3 June 2021, p. 3) (hereinafter referred to as: "Commission Implementing Decision 2021/891/EU"). Member States were required to submit new Performance Plans for the third reference period to the European Commission for their assessment.

In accordance with the 2020-2024 Performance Plan for the Republic of Slovenia (2021), and in the context of the emergence of the COVID-19 pandemic, the revised 2020-2024 Business Plan demonstrates sufficient financial and administrative resources and financial strength for the period until the end of 2024. However, during the period of changed circumstances due to the emergence of the COVID-19 disease, sufficient financial resources, which stem from operations, are temporarily no longer assured, which is why the Company has been providing them through appropriate credit facilities, which will ensure the adequate liquidity and financial strength to achieve the strategic objectives during the period in question. The Business Plan thus demonstrates the sufficiency of the sources of funding to ensure adequate technical and operational capacity and expertise for the provision of air navigation services and air traffic management. In addition, the said Plan also presents the potential impact on user charges which might arise as a result of the implementation of the strategy and the Business Plan. It also sets out the following development orientations for the Company to achieve its strategic objectives:

- to remain a designated ATM/ANS provider;
- to maintain licences (certificates) to carry out the Company's activities;
- to strive to continuously improve the level of safety of the Company's services;
- to strengthen its role in the international environment and to actively contribute to achieving the objectives of the Single European Sky;
- to maintain the competitiveness of employees' knowledge, skills and competences;
- to contribute to the achievement of the Union-wide performance targets;
- to respond to changes in the external environment by organising services and processes in a flexible and rational way;
- to contribute to adding value for service users through technological development;
- to work towards a modern integrated concept of safety (security).

As technology evolves, the size of an airspace of an individual air navigation service provider will become less and less important. However, the positioning of an air navigation service provider's airspace in relation to prevailing air traffic flows is becoming increasingly important. Cross-border cooperation in airspace planning and the consolidation of ATM/ANS systems and CNS infrastructure will enable a different airspace planning procedure. With such planning national boundaries will no longer represent airspace boundaries (and sectoral boundaries), and it will be possible to position sectoral boundaries in an optimum manner according to the traffic pattern, with the aim of ensuring the most efficient provision of air navigation services. Proper airspace management and planning, underpinned with active regional cooperation, and the professional introduction of technological and operational improvements, duly supported by specific cost-benefit analyses in order to demonstrate their added value, are essential for the survival and development of the Company as one of the smaller but more complex providers of air traffic management and air navigation services in Europe.

By delivering quality, performance, which is flexible in capacity, value for money and cost-effectiveness, the Company's business will be focused on its overriding objective of ensuring air transport safety, while meeting Union-wide performance targets. All this can only be achieved by maintaining and developing the necessary professional staff with the appropriate specific skills and awareness of the importance of safety in the conduct of the Company's business.

COMPANY DETAILS – SIGNIFICANT DATA

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

Abbreviated name: KZPS, d. o. o.
SLOVENIA CONTROL, Ltd.

Registered office:
Zgornji Brnik

The Company's business address:
Zgornji Brnik 130 n, 4210 Brnik - aerodrome

AFTN: LJLAYFAX
Registration number: 1913301
VAT Identification 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 body: Kranj District Court

Main activity: H52.230 Service activities incidental to air transportation
Ownership: 100% ownership by the Republic of Slovenia
Share capital: EUR 5,525,705.66

Number of employees: 217 (at 31 December 2021)

Contact details:
Telephone number: 00 386 4 20 40 000
Fax number: 00 386 4 20 40 001
E-mail: info@sloveniacontrol.si
Website: www.sloveniacontrol.si

Corporate governance bodies: the Founder, the Supervisory Board and the CEO

Founder:
The Founder and sole shareholder of the Company is the Republic of Slovenia. The rights of the Founder are exercised by Slovenian Sovereign Holding, acting on behalf and for the account of the Republic of Slovenia pursuant to the Slovenian State Holding Act (Official Gazette of the Republic of Slovenia, No. 25/14).

CEO:
Franc Željko Županič, PhD

Supervisory Board:
Founder's representatives:
Dušan Hočevar, MSc, President
Rok Prešern, Vice-President
Marija Šeme, MBA, Member
Borut Lackovič Žumer, Member

Employees' representatives:
Žiga Ogrizek, Member
Boštjan Mišmaš, Member

Audit Committee of the Supervisory Board:

Marija Šeme, MBA, President

Dušan Hočevar, MSc, Vice-President

Žiga Ogrizek, Member

Urška Kiš, Certified Auditor, External Member.

Information on companies in which Slovenia Control holds an equity stake:

Company: FABCE, letalske storitve, d. o. o. (in English: FABCE, Aviation Services, Ltd)

Headquarters: Zgornji Brnik

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

Share capital: EUR 36,000

Investment book value: EUR 16,000

Slovenia Control's equity stake: 1/6 of the Company's share capital, which amounts to EUR 36,000.

FABCE, letalske storitve, d.o.o. was established on 17 October 2014 and registered in the Slovenian Business Register kept by the Kranj District Court on 17 November 2014.

STATUS AND ACTIVITY

Slovenia Control was established in 2004 pursuant to the Act on the Provision of Air Navigation Services, in accordance with the then applicable Companies Act and the Public Utilities Act and in conjunction with the Aviation Act, applicable at the time of its establishment. The Company has the status of a public undertaking, since its core activity is provided under the terms of a mandatory public utility service. According to its Articles of Association, the Company has three corporate governance bodies: the Founder, the Supervisory Board and the CEO. The Founder's rights are exercised by the Slovenian Sovereign Holding, acting on behalf and for the account of the Republic of Slovenia, pursuant to the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/14).

According to the Standard Classification of Activities, the Company's Main activity is Service activities incidental to air transportation (H52.230), which includes air traffic management and air traffic control services performed in the following air navigation departments:

- Air Traffic Services;
- Communication, Navigation and Surveillance Services (Aeronautical Telecommunications Services);
- Aeronautical Information Services.

The Company is qualified to provide the following services: (i) safe, high-quality and efficient air traffic management and control activities in all phases of aircraft flight and the safe conduct of traffic at airports, and to provide aeronautical information services, (ii) to upgrade, deploy and maintain technical air traffic management and control systems and equipment, and (iii) to train and ensure the competence of operational staff. The Company's public utility service is a service of public interest and is the only one of its kind in the Republic of Slovenia. This is what puts its employees in a special position which is comparable only to companies carrying out the same activity abroad. By utilizing the expertise of its employees, who are required to hold special licences to carry out their activities and which demonstrate the required skills and competences, the Company promotes the development of the air transport sector and by participating in domestic and international development activities contributes creatively to decisions in favour of the Republic of Slovenia.

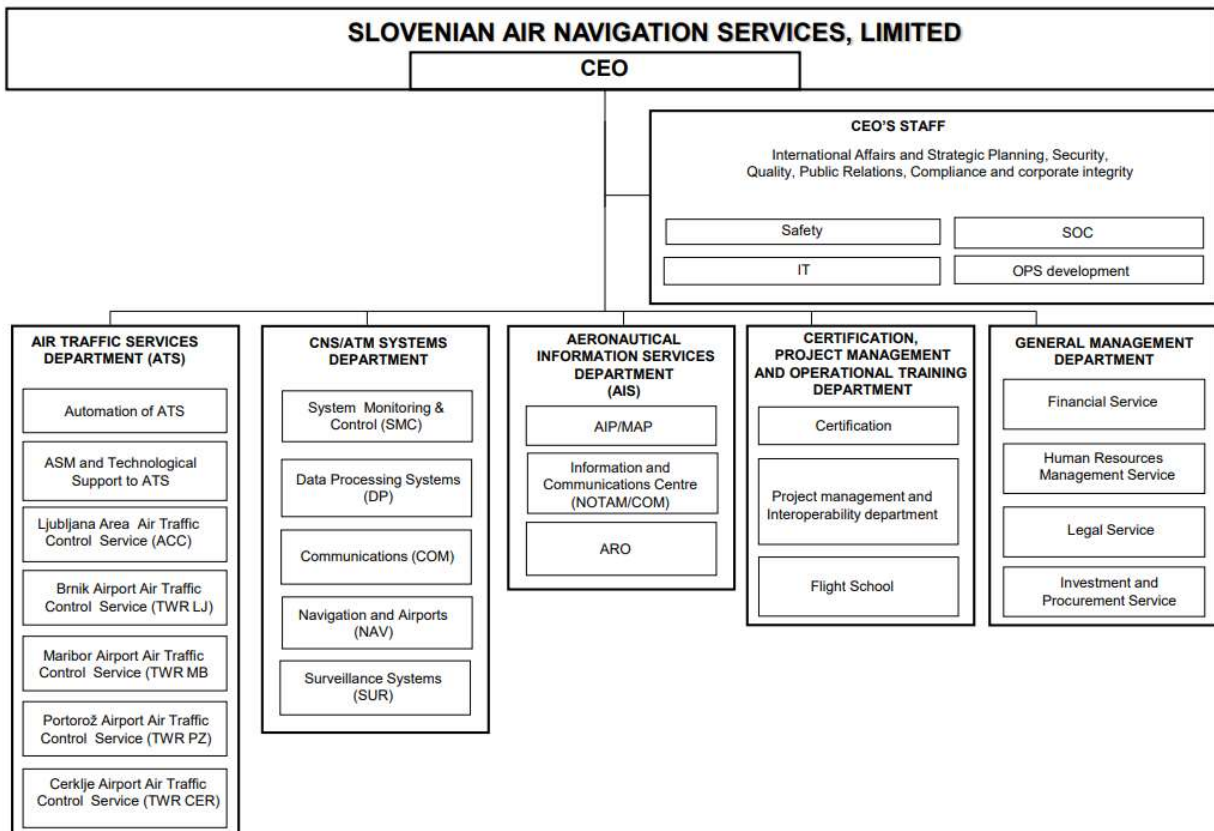
In 2014, the Company established a joint legal entity together with air navigation service providers from Austria, the Czech Republic, Croatia, Hungary and Slovakia: specifically, a limited liability company, FABCE, letalske storitve, d.o.o. (with the English name: FABCE, Aviation Services, Ltd.) (hereinafter referred to as: "FABCE"), with its registered office located in the Republic of Slovenia. The main purpose of its establishment is to meet the requirements of the Single European Sky legislation and strengthen the partners' mutual cooperation in the following areas of work: the implementation of joint projects, consultancy services, staff training and procurement. FABCE was established on 17 October 2014, when air navigation service providers from Austria, the Czech Republic, Croatia, Hungary, Slovakia and Slovenia signed a Memorandum of Association, and was entered in the Business Register kept by the Kranj District Court on 17 November 2014. According to the Standard Classification of Activities, the FABCE's Main activity is categorised under the code M70.220 - Business and other management consultancy activities. The FABCE's share capital amounts to EUR 36,000, subscribed in cash, with each partner holding an equal share. FABCE is governed by three bodies: the CEO, the Supervisory Board and the General Meeting; the membership of the latter two bodies consists of the representatives of all six partners.

ORGANISATIONAL STRUCTURE

The Company's organisational structure supports the safe, uninterrupted, efficient and sustainable provision of the air traffic management (ATM)/air navigation services (ANS), i.e., air navigation services provided by the Company, as well as appropriate flexibility and responsiveness to changes in the environment in which it operates. The internal organisation of the Company is regularly reviewed and changed, where necessary, in order to further improve the performance of its activities.

The Company's internal organisation and job classification are laid down in the Rules on Internal Organisation and Job Classification, which define key tasks and activities whose processes are carried out in the individual organisational units. The Company's organisation is designed to support the performance of its main activity, i.e., the provision of air traffic management (ATM)/air navigation services (ANS), i.e., air navigation services, with the aim to ensure efficient management, administration and implementation of business processes, taking into account the regulatory requirements, the characteristics of the activity and the business environment, all in accordance with the following legal documents: the Aviation Act (Official Gazette of the Republic of Slovenia, No. 81/10 - Official consolidated text, 46/16 and 47/19) (hereinafter referred to as: "the Aviation Act"), the Act on the Provision of Air Navigation Services (Official Gazette of the Republic of Slovenia, No. 30/06 - Official consolidated text, 109/09, 62/10 - ZLet-C and 18/11 - ZUKN-A) (hereinafter referred to as: "the Act on the Provision of Air Navigation Services"), and the European legislation on the Single European Sky (SES).

Figure 1: Organisational chart



The Company's core business, air traffic management and control services, is carried out through three departments:

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

The Certification, Project Management and Operational Training Department is responsible for certification and project management tasks, as well as for the Operational Personnel Training Service – the Flight School.

Tasks related to human resources, legal affairs and financial accounting, investment and procurement are carried out within the General Management Department.

The Company's organisation has a specific role for functions related to air traffic safety management, international affairs and strategic planning, development, quality and security, information technology, cybersecurity, public relations, as well as compliance and integrity, which are carried out within the CEO's Staff.

Figure 2: Company locations



The activities are carried out at the Company's headquarters in the premises of the Air Traffic Control Centre - ATCC at Zgornji Brnik 130 n, Zgornji Brnik, Slovenia. In addition, work is also carried out at the Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport, Portorož Airport and Cerklje ob Krki Airport.

CEO'S REPORT

Unfortunately, expectations and predictions came true and we are now looking at another year marked to a large extent by the fight against the COVID-19 pandemic and the consequent gradual recovery of air traffic, which only gained a little more momentum in the summer of 2021. Thus, a maximum of 1,344 IFR flights per day were flown under the control of the Ljubljana Area Control Centre on 31 July 2021, compared to 2 March 2021, when the workload of air traffic controllers was at its lowest with a modest 142 IFR flights. On an annual basis, 278,811 IFR flights were conducted in the airspace of the Republic of Slovenia, a decrease of 39.3% compared to 2019 and an increase of 42.8% compared to 2020, when IFR flights were 57.5% lower than in 2019. At the European level, IFR flights were down 44% compared to 2019.

The Company recorded a 40.1% growth in the number of service units in the en-route traffic in Slovenian airspace in 2021 compared to 2020, which represents a 41% decrease in the number of service units compared to 2019. Growth in the number of service units was also recorded in the approach and departure phases as regards Slovenian international airports (terminal phase), which was 29.2% higher compared to 2020, but still 59.9% lower compared to 2019. A factor contributing to the high drop in terminal phase traffic, in addition to the COVID-19 pandemic, is the bankruptcy of the Slovenian airline in 2019, which could not be replaced by new airlines during the crisis in the past two years, in particular at Ljubljana Jože Pučnik Airport.

The Company's performance in 2021 was also strongly affected by the COVID-19 pandemic, and the Company ended the year with a loss for the second year in a row. The Company generated 38% higher income than in 2020 and 42% lower income than in 2019, which was the most successful year since the Company's establishment in 2004. The Company's operating income was just under EUR 24.2 million, including sales revenues of just under EUR 21.1 million and other operating income of EUR 3.16 million. The Company generated income from en-route charges of EUR 17.6 million, an increase of 30% compared to 2020, and from terminal charges of EUR 1.7 million, which is an increase of 86% compared to 2020, and other income of EUR 1.75 million. The share of the Company's sales on the foreign market (mainly EU) was 96%. With operating expenses of EUR 31.4 million, the Company closed the year with a negative operating result of EUR 7.24 million. The Company continued to take measures in 2021 to control and rationalise its operating costs, secure additional sources of financing and ensure smooth operations.

In the face of the difficult situation in the sector, I greatly appreciate the joint efforts we made, also in 2021, in cooperation with the social partners, both the representative trade unions and the Works Council, to take measures to reduce labour costs, all with the aim of ensuring the smooth running of the Company. The successful negotiation process also resulted in a proposal for a new Collective Agreement for Air Traffic Management and Control, which will be concluded in early 2022, in accordance with the Act on the Provision of Air Navigation Services, after obtaining the prior consent of the Government of the Republic of Slovenia. The Collective Agreement is also important for the Company in terms of ensuring the smooth, safe and quality performance of the Company's core business in the future.

As a provider of critical infrastructure in the Republic of Slovenia, the Company was able to provide its services in an uninterrupted manner, while taking preventive, hygienic and organisational measures. From the operational services point of view, it is important that the Company ensured the necessary availability of healthy staff and the continuity of the appropriate authorisation of the Company's operational staff through an appropriate organisation of work, despite the complicated circumstances in the implementation of the training processes due to the emergence of COVID-19.

In 2021, the Company demonstrated its compliance with the requirements for an air traffic management (ATM)/air navigation services (ANS) provider as laid down in the Single European Sky (SES) regulations and specifically Commission Implementing Regulation 2017/373/EU and maintained the validity of its operating certificate. In addition, in the past year, while achieving the target value of the safety performance indicator "Effectiveness of Safety Management" (EoSM), it again exceeded the target value of the ATMF delay indicator, which was set for the Republic of Slovenia at 0.24 minutes per flight, while the actual value of this indicator was 0.0 minutes per flight.

In the past year, the Company also demonstrated the contribution of the Company and the Republic of Slovenia to the achievement of the Union-wide performance targets by participating in the preparation of a new proposal of the Performance Plan for the Republic of Slovenia for the third reference period 2020-

2024, in line with the revised European legal basis adopted due to the negative impact of the COVID-19 pandemic on the aviation sector.

The Company continued its active involvement in the international arena, both within the Functional Airspace Block Central Europe - FAB Central Europe (FAB CE) and at the level of cooperation with international organisations and interest groups (Eurocontrol, ICAO, CANSO, BLUE MED, Gate One, DANUBE FAB). Through active and proactive involvement, the Company strives to maintain an important role at the level of air navigation service providers in FAB CE and to strengthen the Company's role in the provision of air navigation services in the region. In the past year, it is worth highlighting the cooperation with the Slovenian Civil Aviation Agency and the Ministry of Infrastructure in the consideration of the proposal for the new Single European Sky (SES2+) legislation prepared by the European Commission, especially during the Slovenian Presidency of the Council of the EU. The Slovenian Presidency held dialogues with the European Parliament and the European Commission on the revision of the SES2+ package, but due to the lack of political will on all sides to compromise on political issues, no significant progress was made, and the SES2+ process will continue during the French Presidency of the EU Council. The Company will also be actively involved in the preparation of the official positions of the Republic of Slovenia.

The implementation and further development of FAB CE are carried out at the level of air navigation service providers through a joint legal entity - FABCEof which the Company is a member. In 2021, Slovenia Control worked with its FAB CE partners on a number of projects, in particular projects aimed at airspace optimisation (through enhanced cross-border cooperation), optimisation of regional ICT infrastructure, joint procurement and the preparation of implementation plans for FAB CE Member States. Most of the activities will continue in 2022 and the main objectives of the FAB CE activities are contained in the new edition of the FAB CE Strategy 2020-2030 (FAB CE Strategy 2020-2030), which was endorsed by the CEOs of the FAB CE air navigation service Providers on 18 February 2020 in Vienna.

Despite the difficult situation in the aviation and the need for rationalisation, the Company is pursuing the planned investment and technology projects that are necessary for ensuring the required levels of service and air traffic safety. Among the most important development projects that will strengthen the Company's competitive position and its role in the future, as a CEO, I would like to mention the successful cooperation with Eurocontrol's Maastricht Upper Area Control Centre (MUAC) on the joint project "ATM Data as a Service - Cluster Deployment" (ADaaS2)". The implementation of this project is of key importance for the Company's positioning in Europe. The joint collaboration between the two organisations started in 2017, when the first ADaaS prototype was jointly developed. In November 2021, Mr. John Santurban, CEO of MUAC, and I signed a cooperation agreement for the use of ATM data as a service model, which would bring noticeable benefits to airspace users and air navigation service providers. This especially includes increased ATM efficiency, lower operating costs, increased synergies and maximum system integration and interoperability. This is a major step in supporting the development of the Single European Sky and in achieving the performance targets set by the European Commission.

Based on the Eurocontrol forecast issued in October 2021, the year of 2022 brings slightly more positive expectations for air traffic growth. In terms of actual en-route service units as a percentage of traffic compared to 2019, the Scenario 2 for the Republic of Slovenia, as the baseline scenario, assumes traffic to reach 90.6% in 2022 compared to 2019, 96.6% in 2023 and to exceed the number of service units by 2.6% in 2024 compared to 2019. However, the outbreak of a military conflict in Ukraine, with all its economic consequences and heightened security situation, in addition to the continuation of the COVID-19 pandemic, raises new concerns. Taking into account the higher level of uncertainty brought by these risk factors, as the CEO of the Company, I will strive to ensure the safe and uninterrupted provision of the Company's services, the stability of its operations and the implementation of its development strategy. I am confident that, together with the Company's dedicated employees, we will continue to achieve our objectives.

Franc Željko Županič, PhD
— CEO



REPORT OF THE SUPERVISORY BOARD

Composition and internal organisation of the Supervisory Board

Pursuant to Article 14 of the Articles of Association of the public undertaking Slovenia Control, the Supervisory Board of the Company is composed of six members, four of whom are appointed by the Founder and two by the Works Council.

In 2021, the Supervisory Board remained unchanged, with the following members being representatives of the Founder:

- Dušan Hočevar, MSc, President of the Supervisory Board;
- Rok Prešern, Vice-President of the Supervisory Board;
- Marija Šeme Irman, MBA, Member;
- Borut Lackovič Žumer, Member;

while the following members are representatives of the Company's employees:

- Žiga Ogrizek, Member;
- Boštjan Mišmaš, Member.

Details of the members of the Supervisory Board can be found in the table included in the Governance Statement.

The members acted independently in the decision-making process and completed their Statements of Independence in which they declared themselves independent. There were no conflicts of interest in their activities in 2021. They have acted with the highest degree of professionalism, readiness to discuss the issues presented in individual papers and willingness to engage and cooperate in a constructive manner. The members of the Supervisory Board sought additional information and clarifications on the materials discussed, where necessary. They took decisions in accordance with their respective powers, while respecting high standards of ethics and professional secrecy. The work of the Supervisory Board was effectively supported by substantive proposals from the Audit Committee of the Supervisory Board in the areas within its remit.

The Supervisory Board has a four-member Audit Committee. The Supervisory Board has defined its tasks in the Rules of Procedure of the Audit Committee. These tasks are aligned with the requirements of the Companies Act (ZGD-1), which are defined in more detail in the Audit Committee's annual work plan.

The Supervisory Board has no other standing committees, nor has it appointed any ad hoc committees in 2021.

Supervisory Board meetings in 2021

In 2021, the Supervisory Board held 12 meetings, seven of which were ordinary and five of which were correspondence meetings. All Supervisory Board members were present at all meetings, with the exception of one meeting which was not attended by Boštjan Mišmaš.

Monitoring and supervising the Company's operations and other activities of the Supervisory Board

In 2021, the Supervisory Board devoted a major part of its work to monitoring and supervising the Company's operations, in particular its financial situation and the measures taken by the Company to mitigate the effects of the COVID-19 epidemic. As part of its activity relating to monitoring the Company's financial situation, the Supervisory Board was regularly informed of the Company's interim reports on its operations. The financial situation was also reviewed by the Supervisory Board when it dealt with other matters that had financial implications. The Supervisory Board received weekly forecasts and a report on the realisation of air traffic trends for information and, as instructed by the Supervisory Board, the Company reported on the consequences and measures taken by the Company to mitigate the effects of the COVID-19 epidemic in a separate agenda item at each regular meeting. The Supervisory Board regularly monitored the implementation of cost optimisation measures in the Company and held preliminary discussions and granted its consent to the agreements on measures to mitigate the negative consequences of the COVID-19 epidemic which were concluded by and between the Company and the representative trade unions. The Supervisory Board also considered a report by independent external experts who carried out a capital adequacy assessment with an independent review of the Company's

operations and projections of the Company's solvency assumptions under several business scenarios in 2021. The borrowing by the Company to provide additional sources of funding to cover the shortfall in revenue as a direct consequence of the negative impact of the COVID-19 epidemic on air transport was subject to the prior consideration and approval of the Supervisory Board. The Supervisory Board also actively exercised control over the Company's investments and expenses by considering and giving its consent to transactions of the Company with a value exceeding EUR 100,000 excluding VAT and to amendments to the contracts of these transactions.

In addition to the financial aspect, the performance audit also covered the regularity compliance aspect, the achievement of business plans, the monitoring of risk management and the implementation of Supervisory Board and Founder's resolutions. The Supervisory Board found no breaches of the law, the Articles of Association or other acts of the Company or of the decisions of the Founder. All the Supervisory Board's resolutions adopted in 2021 that were due had been implemented.

The Supervisory Board, having considered the Audit Committee's report and obtained the Founder's decision to cover the loss from other revenue reserves, reviewed the Company's audited Annual Report for 2020, to which it had no objections and approved it. The approved Annual Report and the Supervisory Board's Report for 2020 were noted by the Founder.

Based on Eurocontrol's air traffic recovery forecast and the Company's assessments, taking into account the impact of the COVID-19 epidemic, the Supervisory Board adopted the 2022 Annual Business Plan, which is the basis for the Company's activities and operations in 2022. The Supervisory Board also adopted the Company's revised five-year Business Plan for 2020-2024, in the part relating to operations in 2022, 2023 and 2024, which was aligned with the draft Performance Plan 2020-2024 for the Republic of Slovenia. The latter, in line with the European Single European Sky (SES) regulations, sets out the binding performance targets set by the Republic of Slovenia for the third reference period for monitoring Key Performance Indicators (KPIs) in the provision of air navigation services and air traffic management services in the period 2020 - 2024. Due to the emergence of COVID-19 and the associated drop in air traffic in 2020 and 2021, a revised legal framework for the third reference period was adopted by the European Commission in 2020, taking into account the emergency situation in the aviation sector due to the emergence of the COVID-19 pandemic. Accordingly, the Union-wide performance targets for the ATM network for the third reference period were revised and are reflected in the revised Business Plan of the Company for the period 2020-2024.

On the basis of the Audit Committee's proposal, the Supervisory Board proposed to the Founder the appointment of a new auditor for the years 2021-2023, on which the Founder adopted the corresponding resolution. In addition, the Supervisory Board carried out activities in accordance with the adopted the Company's Succession Policy on and revised its Corporate Governance Policy.

Assessing the efficiency of the Supervisory Board

In 2021, the Supervisory Board carried out a self-assessment test of its own efficiency in accordance with the Supervisory Board Assessment Manual adopted by the Slovenian Supervisory Directors' Association. The Supervisory Board paid particular attention to the analysis of the evaluation performed and adopted an Action Plan for improving the performance of the Supervisory Board, which includes activities for the training of its members.

Work of the Audit Committee of the Supervisory Board

The Audit Committee of the Supervisory Board is composed of four members, three of whom are also members of the Supervisory Board and one of whom is an external independent expert. In 2021, the Audit Committee was composed of the members as indicated in the table contained in the Governance Statement.

In 2021, the Audit Committee considered the Company's draft Annual Report and the audited Annual Report for 2020 and recommended to the Supervisory Board to adopt them. It also reviewed the Auditor's Report, interviewed the audit partner of the external auditor, Ernst & Young d.o.o., Ljubljana, on the progress of the audit of the business results and assessed the auditor's performance.

The Audit Committee examined the quarterly reports on the Company's operations and reviewed them, in particular from an accounting, financial and risk management perspective, and reported about its conclusions to the Supervisory Board. In this context, the Audit Committee paid particular attention to the negative operating results, the provision of liquidity and the management of other financial risks, which

had increased as a result of the COVID-19 epidemic, as well as the solvency of the Company. In addition, the Audit Committee took note of the changes in European regulations and their impact on the Company's compliance mechanisms.

The Audit Committee paid particular attention to the review of the implementation of internal controls and risk management, as well as to the compliance of the Company's operations. In addition, it examined the possible existence of unusual transactions. In May 2021, the Audit Committee adopted the Written Guidelines on the Recruitment of the External Auditor's Staff, and in October 2021, the Criteria for Monitoring the External Auditor's Performance.

The Audit Committee reviewed the auditor's independence and considered draft contracts for non-audit services to be provided by the auditors of the financial statements. In addition, it considered related party contracts.

The Audit Committee conducted the process for the selection of a new auditor for the 2021-2023 period and proposed the appointment of a new auditor. The Audit Committee also considered that the establishment of an internal audit function within the Company was not necessary and that internal audit activities remained outsourced, when necessary. No outsourcing of internal audit activities took place in 2021.

The Audit Committee has carried out a self-assessment test of its own performance and adopted an action plan to improve its functioning.

Costs of the operation of the Supervisory Board and its committees

In 2021, on the proposal of the Supervisory Board, the Founder reduced earnings of the members of the Supervisory Board and the Audit Committee by 15%, and the Supervisory Board reduced the earnings of the external member of the Audit Committee in line with the reduction in earnings for the other members of the Audit Committee. The payments made to the individual members of the Supervisory Board and the Audit Committee are presented in more detail in the Company's financial report.

Annual Report 2021

After the end of the financial year 2021, the Supervisory Board and its Audit Committee reviewed the Company's Annual Report for 2021. The said Report was prepared and audited by the Company and submitted to the appointed audit firm BDO Revizija, d. o. o. for their audit, in accordance with the provisions of the Companies Act. The Company's Annual Report was prepared in accordance with the provisions of the Companies Act (ZGD-1) and the International Financial Reporting Standards (IFRS). It presents the conditions and results of the Company's operations for the year 2021 and consists of two parts, namely the Business Report and the Financial Report, and includes the relevant Corporate Governance Statement.

The Business Report presents the Company's performance in 2021 and its financial position, including a description of the key risks and uncertainties to which the Company is exposed. It identifies the key events and impacts on the business in 2021 and beyond, summarises the significant business data and performance indicators for 2021, including data on the business excluding the impact of the adjustment mechanism. The Report includes a presentation of the developments and achievements in the provision of air navigation services in 2021, and includes a report on employee development and the provision of adequately qualified operational staff which is an important factor for the performance of the Company's activities. In addition to the above, the Business Report also contains a report on the management of the risks to which the Company is exposed, in particular as a result of the impact of the COVID-19 epidemic, the most important investments which were made in 2021, the Company's contribution to sustainable development, air traffic data and the key plans for 2022. It also presents expectations with regard to the Company's development.

In connection with its review of the Accounting Report, the Supervisory Board concludes that the Accounting Report is presented in a clear and transparent manner and that the financial statements give a true and fair view of the assets and liabilities of the Company, its financial position and its profit or loss. A breakdown of the financial statements is provided, as well as notes to individual items of financial statements. In addition, the Company has disclosed the effects of the adjustment mechanism and provided an estimate of contingent liabilities and receivables which can arise due to the impact of the said adjustment mechanism.

In accordance with the provisions of the Articles of Association of Slovenia Control, prior to the adoption of the Company's Annual Report for 2021, the Supervisory Board proposed to the Founder to adopt a decision on the method of partial loss absorption, which was adopted by the Founder in a resolution dated 5 May 2022. The Founder's decision was taken into account in the preparation of the Annual Report. At its 143rd regular meeting of 12 May 2022, the Supervisory Board considered the Company's audited Annual Report 2021 and the Audit Committee's Report on the review of the Company's Unaudited and Audited Annual Report 2021.

The Supervisory Board has taken a positive position on the Auditor's Report for 2021 prepared by the audit firm BDO Revizija, d. o. o., which includes the audit opinion with no reservations.

The Supervisory Board assessed that the Company's negative performance in 2021 was expected and was the result of external risks incurred to the Company due to the outbreak of the COVID-19 epidemic, the direct consequence of which was a decline in air traffic on a global level. An additional negative impact on the Company's income arose from the negative impact of the 2019 traffic and inflation risk sharing mechanism, as explained in the Annual Report. The Supervisory Board notes that throughout the year, and in particular since the emergence and declaration of the COVID-19 epidemic, the Company took the necessary measures to ensure compliance with its obligation to carry out its activities on an on-going basis, in accordance with the requirements of Slovenian and European legislation. Considering these requirements, and despite the relatively high proportion of fixed operating costs, the Company, which was faced with a significant decrease in revenues and experienced a high level of uncertainty regarding the forecasted traffic volumes during the year, had taken and implemented effective measures to reduce individual cost categories, to timely secure the necessary additional sources of financing for stable operations and to pay regularly all outstanding liabilities. Despite the measures taken to rationalise operating costs, the Company ended the year with a loss, in the face of a significant shortfall in revenue.

Endorsement of the Audited Annual Report 2021

On the basis of the final review of the Audited Annual Report for Slovenia Control for 2021, including the accompanying Auditor's Report for 2021, the Supervisory Board hereby declares that it has no objections to the said report, and, pursuant to Article 282 of the Companies Act (ZGD-1) and Article 30 of the Company's Articles of Association, the Supervisory Board therefore endorses the Annual Report for Slovenia Control for 2021.

Dušan Hočevar, MSc
President of the Supervisory Board



CORPORATE GOVERNANCE STATEMENT

Pursuant to Article 70, Paragraph 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 and 18/2021) (hereinafter referred to as: “the Companies Act”, or “ZGD-1”), as well as Article 26, Paragraph 4 of the Company’s Articles of Association. and the provisions of the Corporate Governance Code for State-Owned Enterprises, the Company hereby issues its Corporate Governance Statement for 2021.

1. REFERENCE CORPORATE GOVERNANCE CODE AND RECOMMENDATIONS

As a 100% state-owned company, Slovenia Control complies with the Corporate Governance Code for State-Owned Enterprises as its reference code. In 2021, the Company operated in accordance with the latest updated version of the above mentioned Code (hereinafter referred to as: “the SSH Code”), which was adopted in March 2021 by Slovenian Sovereign Holding (hereinafter also referred to as: “SSH”).

The Company also complies with the SSH Recommendations and Expectations, as applicable from time to time. In 2021, the Company thus also complied with the SSH Recommendations and Expectations, adopted by SSH in August 2020.

Both of the above documents are key documents relating to asset management documents, which are issued by SSH. They are published on the following website: www.sdh.si.

The Company endeavours to comply with the SSH Code and the SSH Recommendations and Expectations to the fullest extent possible and in a reasonable manner, considering its ownership structure, size and activities. Individual deviations from both documents are disclosed in the following section on a “*comply or explain*” basis. Where a particular recommendation is not relevant to the Company, the deviation from such recommendation is not indicated.

2. DEVIATIONS FROM THE CODE AND RECOMMENDATIONS

a) Deviations from the SSH Code

Succession Policy (points 6.2.5 and 6.2.6 of the SSH Code)

The Succession Policy, which has been adopted by the Supervisory Board, does not set a criterion to nominate at least two candidates for succession. Nor does the Supervisory Board initiate the selection process for internal succession candidates immediately after the commencement of the current management’s term of office, but rather, in accordance with the provisions of the Succession Policy, one and a half years before the end of the current CEO’s term of office. In order to ensure compliance with the SSH Code, the Supervisory Board will review and revise the Succession Policy in due course.

Statement of Independence (point 6.7.1 of the SSH Code)

The members of the Supervisory Board and the external member of the Audit Committee complete their Statement of Independence on an annual basis. The Company publicly discloses on its website whether members have declared themselves as dependent or independent.

Competence Profile (point 6.5.1 of the SSH Code)

The Supervisory Board did not review the competence profile in 2021, as the review was carried out in 2020 before the expiry of the Supervisory Board members’ terms of office. There were no new appointments of Supervisory Board members in 2021 and none are foreseen for 2022.

Remuneration of members of the Supervisory Board (point 6.10 of the SSH Code)

In view of the negative performance as a result of the COVID-19 epidemic, the remuneration of the members of the Supervisory Board was temporarily reduced in 2021 at the proposal of the Founder. The remuneration was not reduced according to the criteria set out in the SSH Code, but it was appropriately close to the recommended values set out in the SSH Code. The Supervisory Board members do not have any additional payments foreseen for the specific assignments recommended by the SSH Code.

Number of audit committee meetings (point 6.14.2 of the SSH Code)

In 2021, the Audit Committee of the Supervisory Board held nine (9) meetings, which is one (1) more meeting than recommended by the SSH Code, due to the Committee’s activities for the selection and replacement of the auditor as well as for the approval of contracts for non-audit services.

Employee development plans (point 7.4 of the SSH Code)

The Company is a medium-sized company with a specific activity for which its operational staff need appropriate work permits, which they are required to maintain through the periodic verification process. Accordingly, the Company has a career development system in place, taking into account Slovenian and EU regulations, as well as the relevant employee reward system. In the future, the Company will further develop its system for talent identification and development, as well as its employee career development system.

*b) Deviations from SSH Recommendations and Expectations*Three-year business planning of the Company (Recommendation No. 1)

The Company complied with the above recommendation and is complying with it in the light of the requirements of Slovenian legislation and the European Single European Sky regulations, in particular 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 services/ 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 1034/2011, Implementing Regulation (EU) No 1035/2011 and Implementing Regulation (EU) No 2016/1377. 677/2011 (OJ L 62, 8 March 2017, p. 1), as amended by Commission Implementing Regulation (EU) 2021/1338 of 11 August 2021 amending Implementing Regulation (EU) 2017/373 as regards reporting requirements and reporting channels between organisations, and requirements for meteorological services (OJ L 289, 12 August 2021, p. 12) (hereinafter referred to as "Commission Implementing Regulation 2017/373/EU");
- the Articles of Association.

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

Labour costs optimisation - publication of binding collective agreements (Recommendation No. 4)

Collective agreements binding on the Company are published on the Company's internal website so that their contents can be made known to all those affected by the collective agreements. In addition, in accordance with Article 28 of the Collective Agreements Act (Official Gazette of the Republic of Slovenia, No 43/06 and 45/08 - ZArbit), the Collective Agreement for Air Traffic Management and Control, as amended and supplemented, is also published in the Official Gazette of the Republic of Slovenia, No. 92/15.

Self-assessment against the proven European Excellence Model EFQM (Recommendation No. 5.1)

The Company has not implemented the self-assessment test according to the proven European Excellence Model EFQM, as it is classified as a medium-sized company, and it is a time-consuming and intensive project in terms of its sectoral coordination.

General Meetings - accessibility of materials (Recommendation No. 6)

The Company does not publish the materials for the General Meeting on its website, neither does it publish any explanatory notes for the Founder, as its sole founder and company member is the Republic of Slovenia, for which the Founder's rights are exercised by the SSH, to which the Company makes the materials available in a timely and appropriate manner.

Sustainable business (Recommendation No. 7)

The Company partially complies with this recommendation. The Company has adopted strategic policies and objectives relating to sustainable business and considers sustainability aspects in its business decision-making process, as well as reports on them. The Company will strive to improve the evaluation of the impacts of its operations and its risk management system and its development in this area.

3. COMPLIANCE AND CORPORATE INTEGRITY SYSTEM

The Company's compliance and corporate integrity system is based on strict compliance with the following legal documents and instruments: Slovenian and European legislation, which is relevant for and binding on the Company, professional standards and recommendations of international organisations in the field of the Company's activities, the SSH Code, SSH Guidelines and Recommendations, the Company's Articles of Association and the adopted Company's Corporate Governance Policy, as well as the Company's internal corporate documents.

The Company's compliance system includes activities to ensure that the Company and its employees comply with 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. The appointed Compliance and Integrity Officer of the Company is autonomous and independent in his activities. He follows the guidelines of the SSH Code in a reasonable manner, while taking into account the ownership structure, size and activity of the Company. The Compliance and Integrity Officer performs his activities in accordance with the approved annual work plan and submits an annual report on the work performed to the management of the Company.

As regards managing conflicts of interest and preventing and taking action in the event of illegal and unethical conduct, the Company adopted the revised Code of Ethics in 2021. The said Code is aligned with the revised Policy on the Internal Whistleblowing System of the Company, the SSH Code, the SSH Recommendations and Expectations, the National Action Plan of the Republic of Slovenia on Business and Human Rights in the Economy and the signed Commitment to Observe Human Rights in Business. The Code of Ethics defines the fundamental ethical principles and rules of conduct and action of the Company's bodies and all employees, relations with its stakeholders, especially with users of its services, business partners, officials, the public and the media, and society at large. Through the adopted mechanism of ethical principles and integrity, the Company pursues a high level of ethical performance, which enables the implementation of even higher ethical standards and greater awareness, and promotes the observance of values which encourage employees to act in a responsible manner towards the Company, its service users and partners, and other stakeholders, to achieve ambitious business objectives and pursue their own personal growth and development. The Code of Ethics is publicly published on the Company's website, and is also available to the Company's employees on the intranet sites.

The Compliance and Integrity Officer maintains the Company's Gift Register. The Company is required to submit the list of gifts awarded to officials, their family members and protocol gifts to the Commission for the Prevention of Corruption of the Republic of Slovenia by 31 March for the previous year. The Company's CEO and the members of the Company's Supervisory Board did not receive any gifts with a value exceeding EUR 50 in 2021.

Furthermore, the Company's Corporate Governance Policy also defines commitments on the identification of conflicts of interest and independence of the CEO and Supervisory Board members. It describes measures of action in case of circumstances constituting a conflict of interest, such as the fulfilment of the Statement of Independence by the Supervisory Board members, the notification requirement imposed on the Supervisory Board members in case of a conflict of interest, and the process for the exclusion of the Supervisory Board members from voting.

The Company also ensures and continuously verifies the compliance of processes and documentation with applicable regulations and standards through its quality management system. Internal documentation is continuously aligned and updated according to internal and external requirements and the interaction between processes is upgraded. In accordance with the international standard ISO 9001:2015, the Company has in place a risk management system which is verified at periodic meetings by the Risk Management Working Group, by internal audit reviews, which are carried out within the scope of the quality system at least once a year, and by annual external audit reviews performed by an accreditation body in accordance with the ISO standard.

The area of operational compliance is also effectively supported by a certification system, which pursues the Company's primary objective of maintaining the compliance of the air traffic management and air navigation service provider with the common requirements and thus maintaining the validity of the certificate of competence to provide air traffic management and air navigation services. 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 for their compliance. The system established on this basis ensures the systematic verification, assurance and control of service provider compliance with the relevant Slovenian and European Single European Sky legal framework and international standards. In 2021, the Company also adopted the revised Policy on the Internal Whistleblowing System of the Company. The Company's Rules on the Internal Alert System on Irregularities and Illegality were aligned with the new Code of Ethics, the Integrity and Prevention of Corruption Act, the SSH Code, the SSH Recommendations and Expectations and the adopted Company's Corporate Governance Policy. The revised Rules amend the system and procedures for internal whistleblowing system, i.e., whistleblowing on breaches of the law, by-laws, internal acts and instructions of the Company, and set out the procedures and mechanism for the protection of the whistleblowers, reporting on alleged irregularities and illegality in

the Company. Under the new rules, the report is no longer forwarded to the Commission, but to the Compliance and Integrity Officer, who is responsible for receiving and processing reports. A special committee is established only in specific cases. All Company's employees are entitled to make a report. The system in place includes a mechanism for responding appropriately and effectively to such reports, a traceability system for such reports, a response to the whistleblower, record-keeping of whistleblowing reports, and reporting to the Supervisory Board and/or the Audit Committee on such reports as well as on actions taken to remedy or sanction irregularities, as appropriate. In 2021, the Compliance and Integrity Officer did not receive any reports of alleged irregularities and illegalities.

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 its risks and has in place a system of internal controls. The purpose of the internal control system is to ensure effective and efficient operation, reliability of financial reporting and compliance with applicable laws and other external and internal regulations.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the Companies Act. The data in the financial statements is based on the bookkeeping records and books of account maintained in accordance with IFRS. They give a true and fair view of the state of the Company's assets and of the results of its operations for the year 2021. The financial statements, together with the notes thereto, are prepared on a going concern basis.

The fundamental accounting assumptions used in the preparation of the financial statements are: accrual accounting, going concern and the qualitative characteristics of the financial statements, which are mainly: understandability, relevance, reliability and comparability. The accounting policies follow the basic accounting principles of prudence, substance over form, and materiality. The Company ensures the accuracy, completeness and fairness of its financial reporting through a number of controls, such as: reconciliation of items with customers and suppliers, control of completeness of data capture, control of segregation of duties and responsibilities, control of restriction of access to accounting records, and control of supervision checks. The accounting process is IT-enabled and all these controls are therefore also linked to control systems embedded in IT. The risks related to IT and the remaining risks are described in more detail in the Risk Management chapter. An internally organised Risk Management Working Group is in place to manage risks.

The Company also ensures the accuracy, completeness and fairness of its financial reporting by meeting the requirements of the international standard ISO 9001:2015.

The Company is classified as a medium-sized company under the Companies Act and as such does not have an internal audit function in place. As a result, internal audit services are outsourced, where necessary. Additional control over risk management, the internal control system and financial reporting, as well as internal and external audit, is provided by the Audit Committee of the Supervisory Board. The Company operates in a strictly regulated environment, in compliance with Slovenian and European legislation, European standards, standards and recommendations of international organisations in the field of civil aviation and international treaties which are binding on the Republic of Slovenia. The Company ensures continuous compliance with the relevant legal framework by means of an established system of internal and external monitoring of compliance with the requirements for an air navigation service provider. In addition to the internal control and risk management system, the Company's system for ensuring continued compliance with the common requirements for the provision of air navigation services is effectively supported by the safety management system, the quality management system in accordance with the international standard ISO 9001:2015, and the security system.

5. INFORMATION ON THE COMPANY'S GENERAL MEETING

The sole founder of the Company is the Republic of Slovenia, which, in accordance with the Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/14), exercises its powers through Slovenian Sovereign Holding.

The key powers of the Founder, which are set out in more detail in the Companies Act and the Articles of Association, and which are exercised by the Founder through the adoption of resolutions, are mainly as follows:

- deciding on the adoption, amendment and modification of the Articles of Association,
- deciding on a change in the Company's share capital,

- deciding how to use the balance sheet profit,
- deciding on the method of loss absorption on a proposal from the Supervisory Board and the management,
- the adoption of the Annual Report if it is not approved by the Company's Supervisory Board or if the CEO and the Supervisory Board pass on the decision on the adoption of the Annual Report to the Founder,
- deciding on the distributions and disposal of shareholdings,
- appointing and dismissing members of the Supervisory Board who represent the interests of the Founder,
- deciding on measures and the oversight of the work carried out by the Supervisory Board,
- pursuing claims for damages against members of the Supervisory Board for any potential breach of their duties,
- appointing the auditor on a proposal from the Supervisory Board,
- deciding on the earnings of the members of the Supervisory Board, etc.

In 2021, the Founder adopted decisions concerning the following matters:

- decision-making on the method of loss absorption on a proposal from the Supervisory Board and the management; this Resolution was observed by the Supervisory Board and the management when drawing up and adopting the Annual Report for 2020,
- taking note of the Company's Audited Annual Report for 2020, as adopted by the Supervisory Board,
- taking note of the report on the work of the Supervisory Board for 2020,
- granting a discharge from liability to the Company's CEO and its Supervisory Board for the financial year 2020,
- taking note of the changes to the remuneration arrangements for the CEO (in light of the revised SSH Recommendations and Expectations) and earnings of the Company's CEO and its Supervisory Board in 2020,
- deciding on a temporary reduction in earnings for the members of the Supervisory Board,
- appointing the auditor of the financial statements for 2021, 2022 and 2023.

6. INFORMATION ON THE COMPOSITION AND FUNCTIONING OF THE MANAGEMENT AND SUPERVISORY BODIES

In accordance with the provisions of the Companies Act and the Act on the Provision of Air Navigation Services, a two-tier system of corporate governance, which consists of one director and a Supervisory Board, has been introduced. In accordance with the Articles of Association, the CEO manages and organises the work and business of the Company, while the Supervisory Board supervises the management of the Company's operations.

Following the proposal made by the Supervisory Board, the CEO is appointed by the Founder for a term of office of five years. Information on the Company's CEO is presented in the table below. The work of the CEO in 2021 is described in more detail in the CEO's Report.

Name and Surname	Position	First Appointment to the position	Conclusion of the position/ term of office	Gender	Citizenship	Year of birth	Qualification	Expert profile	Membership in supervisory bodies in not affiliated companies
Franc Željko Županič, PhD	CEO	20 March 2008	22 March 2023	Male	Slovenian	1962	Doctor of Security Sciences	management and organisation business, aviation	/

In accordance with the Articles of Association, the Company's Supervisory Board is composed of six members, four of whom are representatives of the Founder and two of whom are representatives of the employees. The Supervisory Board (SB) has established an Audit Committee of the Supervisory Board (AC), which has four members, one of whom is an external independent expert. The composition of the Supervisory Board and the Audit Committee is set out in more detail in the table below and their activities are described in the Supervisory Board Report 2021.

ANNUAL REPORT 2021

Name and surname	Dušan Hočevar, MSc.	Rok Prešern	Marija Šeme Irman, MBA	Borut Lackovič Žumer	Žiga Ogrizek	Boštjan Mišmaš	Urška Kiš
Position	President of SB and Vice-President of AC	Vice-President of SC	Member of SB and President of AC	Member of SB	Member of SB and Member of AC	Member of SB	External Member of AC
First appointment to the position in SB	22. Nov 2012 President since 7 Dec 2012	30 Aug 2020 Vice-President since 17 Dec 2020	29 Aug 2016	30 Aug 2020	1 July 2004	1 July 2020	/
Conclusion functions / seats in the SC	24 Nov 2024	30 Aug 2024	24 Nov 2024	30 Aug 2024	30 June 2024	30 June 2024	/
Appointment to the position in the AC	6 Dec 2018	/	17 Dec 2020	/	19 Dec 2020	/	6 Dec 2018
Conclusion of position/ term-of-office in AC	6 Dec 2022	/	17 Dec 2024	/	19 Feb 2024	/	6 Dec 2022
Founder's/ Employees' Representative	Founder's Representative	Founder's Representative	Founder's Representative	Founder's Representative	Employees' Representative	Employees' Representative	External Independent Member of AC
Attendance at SB meetings	12/12	12/12	12/12	12/12	12/12	11/12	/
Attendance at AC meetings	9/9	/	9/9	/	8/9	/	9/9
Gender	Male	Male	Female	Male	Male	Male	Female
Nationality	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Year of birth	1975	1972	1978	1982	1973	1978	1980
Qualification	master degree in administrative sciences	university degree in economics	university degree in economics, MBA	university degree in mechanical engineering	university degree in economics	university degree in political science	university degree in economics
Expert profile	management and the organisation of business	management and finance	management of capital assets, finance	aviation	aviation	aviation	finance, audit
Independence under Article 23 of the SSH Code (YES / NO)	YES	YES	YES	YES	YES	YES	YES
Existence of conflict of interest in the financial year (YES / NO)	NO	NO	NO	NO	NO	NO	NO
Membership of bodies supervision in other companies	Javno komunalno podjetje Grosuplje, d. o. o.	/	Elektrooptika d. d.	/	FABCE, d. o. o.	/	/

7. DESCRIPTION OF DIVERSITY POLICY

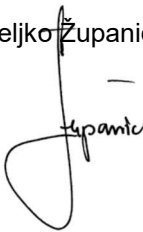
The Diversity Policy of the management and supervisory bodies of Slovenia Control, which has been adopted by the Supervisory Board, applies only to the representation on the Supervisory Board, as the Company has a one-person management body. Furthermore, the policy is implemented only as a guideline for the Founder and the Company's Works Council, as the latter has the power to appoint the members of the Supervisory Board. The Diversity Policy is published on the Company's website.

The policy aims to make the Supervisory Board more effective as a whole, which will have an impact on the development of the Company's business and corporate reputation. The Policy promotes the diversity in the membership of the Supervisory Board in terms of its professional diversity, experience, age, gender and continuity. The objective of professional diversity is defined as the complementarity of the knowledge and skills of the Supervisory Board's members and its committees, with an emphasis on knowledge of the Company's activities, followed by the competences of the current members. The objective of the experience requirement, which requires the highest possible proportion of members with experience in the Company's activities and in corporate governance, together with the objective of professional diversity, has been achieved, as the members have significant experience in the field of aviation and governance. The objective of continuity is defined as the way in which the members of the Supervisory Board are appointed, specifically, in a way that no more than half of the Supervisory Board members are replaced at any one time. This objective has been achieved as three of the six Supervisory Board members were reappointed at the end of their terms of office in 2020. The objective of diversity relating to age, which is defined as an appropriate proportion of junior and senior members, has not been achieved to a significant extent as the age range of the current members of the Supervisory Board is 10 years. The gender diversity objective, defined as a gender balance so that at least one third of the members of the Supervisory Board are of both genders, was also not achieved. In the current composition of the Supervisory Board, which has six members, the female gender representation is 1/6 (instead of at least 1/3), while the male gender representation is 5/6.

Compliance with the law, the SSH Code, the guidelines and recommendations of the SSH, the Company's Corporate Governance Policy and the Company's internal acts in the area of corporate governance are important guidelines for the Company's prudent, economic and responsible management. The Company strives to ensure compliance with the provisions of each applicable Code and the recommendations of the Founder, and to transpose and implement the principles of good corporate governance and good business practice.

Zgornji Brnik, 12 May 2022

Franc Željko Županič, PhD
CEO



Dušan Hočevar, MSc
President of the Supervisory Board



I BUSINESS REPORT

1 KEY EVENTS AND IMPACTS ON THE BUSINESS IN 2021 AND BEYOND

In 2021, air traffic and the aviation sector were affected by the continuation of the SARS-CoV-2 (COVID-19) pandemic on a global level. In Europe, in 2021, air traffic partially "recovered" compared to the record year of 2019, recovering from a drop of -64% in January to -22% in December. Overall, there were 4.9 million fewer flights in 2021 than in 2019 (-44%). In the Republic of Slovenia (FIR Ljubljana), a -39.3% drop was recorded in the number of flights compared to 2019, and a -37.7% drop was recorded in the Dolsko sector (controlled by the Company). The comparison with 2020 shows an increase of +42.8% in FIR Ljubljana and +47.0% in the Dolsko sector. The decrease in air traffic was also reflected in a decrease in the number of en-route service units in Slovenian airspace. The volume of en-route traffic in the Slovenian airspace, expressed in service units, decreased by 41.0% in 2021 compared to 2019, which, however, represents an increase of 40.1% compared to 2020. In the approach and departure phase (terminal charges) at Slovenian international airports, the number of service units decreased by 59.9% compared to 2019, which, however, represents an increase of 29.2% compared to 2020.

1.1 KEY EVENTS AND IMPACTS ON BUSINESS IN 2021

January

- By virtue of the Ordinance on the declaration of the COVID-19 epidemic in the territory of the Republic of Slovenia (Official Gazette of the Republic of Slovenia, No. 5/2021 of 14 January 2021), the Government of the Republic of Slovenia extended the period of the declared epidemic by 60 days, precisely, from 17 January 2021 to 18 March 2021.
- Pursuant to the Act on the Provision of Air Navigation Services, Annex No. 5 to the Agreement on the Regulation of 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) was signed by and between the Company and the Ministry of Defence of the Republic of Slovenia. The said Annex extended the validity of the aforementioned agreement until the conclusion of a new agreement, or until 31 March 2021 at the latest.
- An Agreement on the exchange of information relevant to the search and rescue of aircraft was concluded with the Ministry of the Interior, Police.
- Pursuant to the Act on Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of the COVID-19 Epidemic (Official Gazette of the Republic of Slovenia No. 203/20; hereinafter referred to as: ZIUPOPDVE), and in order to make a positive impact on the aviation connectivity of the Republic of Slovenia and to mitigate the economic consequences of the decline in air traffic as a result of the consequences of the COVID-19 epidemic, the Company signed a contract with the Slovenian Ministry of Infrastructure with the aim of securing funds to reduce the charge for terminal air navigation services for 2021.
- On the basis of the aforementioned contract concluded with the Ministry of Infrastructure and pursuant to 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 for terminal services of EUR 207,66 for the period from 1 February 2021 to 31 December 2021.
- The Company participated in the military exercise "AIRWEEK", which took place between 18 and 22 January 2021.
- On 19 January 2021, by virtue of the Decision, the Ministry of Infrastructure approved the changes in the airspace of the Republic of Slovenia in connection with the introduction of instrument procedures at Cerklje ob Krki Airport, which entered into force on 22 April 2021.
- On 28 January 2021, together with the representative trade unions, the Company concluded Addendum No. 2 to the Agreement on Measures to Mitigate the Negative Consequences of the COVID-19 Epidemic. In addition, the Amendments to the Addendum to the Company Collective Agreement on the amount of basic salaries, salaries by promotion grade and the amount of supplements to basic salaries was concluded with the Independent Air Traffic Controllers' Union of the Republic of Slovenia (SSKL). On the basis of these amendments, a temporary reduction in the salaries of the employees was agreed upon for the period from 1 January 2021 to 30 June 2021.
- Pursuant to Addendum No. 2 to the Agreement on the Pension Plan concluded by and between the Company and the Works Council, the period of suspension of the employer's contribution to the voluntary supplementary collective pension scheme for employees was extended for the period from 1 January to 31 December 2021.
- At the end of January, Eurocontrol published new scenarios for air traffic trends up to mid-2021. According to Eurocontrol, air traffic across Europe was down by around 64% in January 2021.

compared to January 2019, and with the situation tightening due to new waves of the COVID-19 epidemic and the risks associated with new variants of the virus, as well as in light of the subsequent introduction of stricter travel restrictions, which had a very negative impact on air travel demand, it forecasted similar negative growth rates up to mid-2021.

- At the 14th correspondence meeting of the General Meeting of FABCE, the company members of FABCE appointed new members of FABCE's Supervisory Board.

February

- Annex No. 2 to the Agreement on the transfer of funds for the provision of meteorological services for the third reference period (2020-2024) for 2021 was signed by and between the Company and the Slovenian Environment Agency.
- Pursuant to the Decision of the Ministry of Infrastructure on changes in the airspace of the Republic of Slovenia related to the introduction of instrument procedures at Cerklje ob Krki Airport, the Civil Aviation Agency of the Republic of Slovenia approved nine (9) instrument procedures, which were proposed by the Company.
- At the 15th correspondence meeting of the General Meeting of FABCE, the company members of FABCE approved the FABCE's Business Plan 2021-2022.
- On 26 February 2021, the Company's training organisation, i.e., the Flight School, received an updated certificate No 60404-1/2021/2 for the training of air traffic controllers with regard to the establishment of a new operational environment at the Cerklje ob Krki Military Airport and thus at the Cerklje Air Traffic Control (ATC).

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 air navigation service licence for the third reference period (2020-2024) for 2021 was signed by and between the Company and the Civil Aviation Agency of the Republic of Slovenia.
- On 18 March 2021, the Company was inspected by the Information Security Administration of the Republic of Slovenia to verify compliance with the Company's obligations under the Information Security Act (Official Gazette of the Republic of Slovenia, No. 30/18 and No. 95/21) (hereinafter referred to as: "the Information Security Act").
- On 24 March 2021, the Company's CEO participated in FAB CE CEOC meeting. Key topics which were discussed at strategic level during the meeting concerned, in particular, the new SES2+ Single European Sky legislative proposal, the changes related to the implementation of the RP3 performance plans and the measures which had been taken in the wake of the COVID-19 epidemic.
- On 29 and 30 March 2021, an external control audit was carried out, which reviewed the management system according to the international standard ISO 9001:2015. As a result of this audit review, the Company maintained the validity of its quality management system certificate (SL22019Q, 18 January 2022).
- By virtue of the Ordinance on the declaration of the COVID-19 epidemic in the territory of the Republic of Slovenia (Official Gazette of the Republic of Slovenia, No. 35/21 of 11 March 2021), the Government of the Republic of Slovenia extended the period of the declared epidemic by 30 days, from 18 March 2021 to 17 April 2021.
- The Company participated in the military exercise "AIRWEEK", which was conducted within the NATO alliance together with the USAF and took place at the Poček training ground from 30 March to 3 April 2021. In addition to the SAF PC-9M aircraft, the exercise also included USAF F-16 aircraft from the Aviano military base in Italy.
- At the 16th correspondence meeting of the General Meeting of FABCE, the company members of FABCE reappointed Mr Matej Eljon as the Company's CEO and Project Manager for a period of three years.

April

- Pursuant to the Act on the Provision of Air Navigation Services, Annex No. 6 to the Agreement on the Regulation of 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) was signed by and between the Company and the Ministry of Defence of the Republic of Slovenia. The said Annex extended the validity of the aforementioned agreement until the conclusion of a new agreement, or until 31 December 2021 at the latest.
- On 13 April 2021, the Company organised a presentation of the changes in the airspace of FIR Ljubljana in the area of Cerklje ob Krki Airport for all aviation stakeholders in the Republic of Slovenia in order to inform airspace users about the planned implementation of the changes, which were implemented as of 22 April 2021 and duly published in the AIP Slovenia.

- On 15 April 2021, pursuant to the Decision of the Ministry of Infrastructure on changes in the airspace of the Republic of Slovenia related to the introduction of instrument procedures at Cerklje ob Krki Airport, the Civil Aviation Agency of the Republic of Slovenia approved additional four (4) instrument procedures, which were proposed by the Company.
- By virtue of the Decision of the Civil Aviation Agency of the Republic of Slovenia of 19 April 2021, the Company was granted general amendments for the commencement of the provision of air traffic services (ATS) for the provision of air traffic control services for airport traffic (ADI/TWR rating), and for the provision of air traffic control services for approaches, departures or en-route aircraft without the use of air traffic control equipment (APP rating) at the Cerklje unit of the Cerklje Aerodrome Control.
- Based on the application of the Ministry of Defence, the Slovenian Armed Forces, the Civil Aviation Agency of the Republic of Slovenia approved the amendment of the operating licence for Cerklje ob Krki Airport for the purpose of transition to IFR CAT I operations by virtue of the Decision dated 21 April 2021.
- Pursuant to the Order on the determination of the airspace volumes of CTR Cerklje, TMA Cerklje 1, TMA Cerklje 2, TMA Cerklje 3, TMA Cerklje 4, TMA Cerklje 5, TMA Cerklje 6, TMA Cerklje 7, TMA Ljubljana 1 and TMA Ljubljana 4 (Official Gazette of the Republic of Slovenia, No. 54/21), adopted by the Minister of Infrastructure, the changes in the airspace in the area of Cerklje ob Krki Airport and the transition to IFR CAT I operations entered into force on 22 April 2021.
- The Company prepared the Annual Report for 2020, which was considered and adopted by the Company's Supervisory Board at its 136th regular meeting held on 22 April 2021. The Annual Report for 2020 and the materials for the General Meeting were forwarded to the Founder, Slovenian Sovereign Holding, for information.
- Acting as the company member FABCE, d.o.o., the Company and other FABCE's company members concluded the Agreement for the Provision of Programme Management Services, which entered into force on 30 April 2021. The his Agreement aims to provide financial resources for programme management services (for services provided by the project manager) in support of the FAB CE programme. In accordance with the provisions of the Companies Act, the Company obtained the opinion of the Audit Committee and the approval of the Company's Supervisory Board prior to concluding the Agreement.
- The FABCE's company members approved the Annual Report of FABCE for 2020 at their 17th correspondence meeting of the General Meeting of FABCE.
- The Company signed an Agreement for the Provision of Programme Management Services with ANS CR, Austrocontrol, Croatia Control, Hungarocontrol, LPS and FABCE, which had been previously approved by the Company's Audit Committee and the Company's Supervisory Board.
- In the second half of April, the Company's training organisation established the conditions to start the training for air traffic controllers of Cerklje Air Traffic Control Centre for the establishment of the new operational environment at Cerklje ob Krki Military Airport and thus at Cerklje Air Traffic Control Centre.

May

- By virtue of the Ordinance on the declaration of the COVID-19 epidemic in the territory of the Republic of Slovenia (Official Gazette of the Republic of Slovenia, No. 73/21 of 13 May 2021), the Government of the Republic of Slovenia extended the period of the declared epidemic by 30 days, precisely, until 16 June 2021.
- At its regular meeting held on 12 May 2021, the SSH Management Board adopted the Founder's Annual Resolutions relating to their knowledge of the Company's Annual Report for 2020 and the Supervisory Board's Report for 2020, as well as the earnings of the CEO and the Supervisory Board members. The Founder granted a discharge from liability to the Company's CEO and the Supervisory Board in respect of the financial year 2020.
- The international military exercise "ASTRAL KNIGHT 2021", under the motto "United, we protect Slovenian airspace", took place from 8 to 15 May 2021, with the participation of the Company's operational services, as part of the international defence forces training exercise "DEFENDER EUROPE 2021".
- The Company also participated in the military exercise "ADRIATIC STRIKE 2021", which took place intermittently and in different locations between 17 and 21 May 2021.
- On 18 May 2021, the Company launched a tender for the extension of the MAM multilateration system to the east of Slovenia.
- On 19 May 2021, the Minister of Defence visited the Aerodrome Control facilities in Cerklje as part of his visit to the Cerklje Military Barracks and Cerklje ob Krki Airport.
- On 21 May 2021, the Company participated in a meeting with CANSO and the Permanent Representation of the Republic of Slovenia to the European Union (hereinafter referred to as: EU), at

which the programme of the Slovenian Presidency in the field of civil aviation and the most important developments and events (SES2+, EASA Safety Conference), which took place during the Presidency, were presented.

- Between 26 and 30 May 2021, the traditional spring training flight of "The Flying Bulls" took place at Maribor Edvard Rusjan Airport. This is a team of top pilots and their assistants who operate a fleet of 13 aircraft from different eras of the aviation history.

June

- The European Commission adopted Commission Implementing Decision 2021/891/EU setting revised Union-wide performance targets for the air traffic management network for the third reference period (2020-2024).
- On 3 June 2021, EU Transport Ministers adopted the EU Council's position (general approach) on the Single European Sky (SES2+) legislative package, which is a step towards a new regulatory framework for air traffic management in the European area. As the next Presidency of the EU Council, the Republic of Slovenia had thus taken over the coordination of this legislative proposal, together with the European Parliament and the European Commission.
- On 22 June 2021 and 23 June 2021, the Company participated in the international and inter-agency exercise "Broken Wing 2021".
- On the occasion of the 30th anniversary of the independence of the Republic of Slovenia and the 30th anniversary of the establishment of the Republic Air Navigation Authority, the Minister of Infrastructure of the Republic of Slovenia unveiled a memorial at the Ljubljana Jože Pučnik Airport on 25 June 2021. The memorial marks the assumption of control by the Republic of Slovenia over its airspace, which is an important milestone in the establishment of the country's independence and sovereignty.

July

- On 1 July 2021, Slovenia assumed the six-month Presidency of the Council of the EU, during which, among other priorities, it took up the discussion and negotiation process in respect of the SES2+ legislative proposal to increase the resilience and adaptability of the aviation sector and reduce the environmental footprint of aviation.
- On 1 July 2021, the Fraport Slovenia's new passenger terminal became operational at Ljubljana Jože Pučnik Airport, and gave the airport a new, modern look after many years.
- On 5 July 2021, together with the representative trade unions, the Company concluded Addendum No. 3 to the Agreement on Measures to Mitigate the Negative Consequences of the COVID-19 Epidemic. In addition, the Amendments to the Addendum to the Company Collective Agreement on the amount of basic salaries, salaries by promotion grade and the amount of supplements to basic salaries was concluded with the Independent Air Traffic Controllers' Union of the Republic of Slovenia (SSKL). On the basis of these amendments, a temporary reduction in the salaries of the employees was agreed upon for the period from 1 July 2021 to 30 September 2021.
- At its 26th regular meeting held on 14 July 2021, the SSH Management Board adopted the Founder's Decision, which had been proposed by the Company's Supervisory Board, to lower earnings stemming from the membership in the Supervisory Board and its Committees by 15% as from 1 July 2021 until the date on which the Founder's Resolution, to be proposed by the Company's Supervisory, is adopted to reinstate the payment of the said remuneration in accordance with the Founder's Resolution of 31 May 2019.
- The Government of the Republic of Slovenia issued the new Decree on terminal charges for the provision of air navigation services (Official Gazette of the Republic of Slovenia No. 121/21) (hereinafter referred to as: "the Terminal Charges Decree"), by virtue of which the determination of a common cost base and unite rate for air navigation services at terminals is regulated in a comprehensive manner. In cooperation with the Ministry of Infrastructure, the Company's services had been involved in the preparation of this Decree.
- From 16th to 25th July 2021 inclusive, the XXXth National Gliding Championships of Slovenia for members and juniors and the International Open Championship "Murska Sobota OPEN" took place at the Rakičan near Murska Sobota Airport (LJMS). Representatives of the Company participated in a number of coordination meetings. The Ministry of Infrastructure subsequently decided to designate a number of temporarily reserved areas (TRA zones), which were activated according to the needs, which were expressed by the organiser.

August

- On 15 August 2021, the international aviation event "AEROS 2021" was held at the Maribor Edvard Rusjan Airport. Participants from Italy, Austria, Hungary, the Czech Republic, Slovakia and Slovenia took part in a varied aviation programme including helicopters, jet, biplane and aerobatic aircraft and

groups. A temporary reserved area (TRA zone) was established for the event, both for the training flights and the rally.

- On 26 August 2021, the Company participated in consultations with service users on the Draft Performance Plan Slovenia, Third Reference Period (2020 - 2024), 2021, which was prepared on the basis of Commission Implementing Regulation 2019/317/EU and Commission Implementing Regulation 2020/1627/EU, which established a temporary amended legal framework for the third reference period, taking into account the emergency situation in the aviation sector and thus adopting temporary emergency measures as a consequence of the COVID-19 pandemic.
- The training of all air traffic controllers at Cerklje Control Centre (Cerklje Aerodrome Control) was completed on account of the establishment of a new operational environment at Cerklje ob Krki Military Airport and thus at Cerklje Control Centre (TWR Cerklje).

September

- On 3 September 2021, the Company signed a technical agreement with the Ministry of Defence on the management of critical events affecting the flow of air traffic at Cerklje ob Krki Airport.
- The Company prepared a draft Annual Business Plan 2022 and a draft revised Business Plan 2020-2024, which were considered by the Company's Supervisory Board at its 138th regular meeting on 7 September 2021. The draft business plans were submitted to SSH for its information.
- The Company participated in the military exercise "REGIONAL AIRWEEK 2021", which took place between 20 and 23 September 2021.
- On 24 September 2021, at a meeting with representatives of the Ministry of Defence, the Company presented the idea of establishing a military air traffic control at the Cerklje ob Krki Airport, in the context of coordinating the content of a new contract for the provision of air navigation services at the airport.
- On 25 September 2021, on the basis of a decision of the Government of the Republic of Slovenia, a one-day practical exercise of national importance "Exercise Fraport 2021" was held at the Ljubljana Jože Pučnik Airport, in which the Company's operational services were also involved. The purpose of the exercise was to test the preparedness of the competent services in the event of an aircraft accident and to respond in accordance with the protection and rescue plans at various levels of planning and decision-making processes.
- On 29 September 2021, the SSH Management Board, acting in its capacity of the Founder, adopted a resolution on the appointment of the auditor of the Company's financial statements for the years 2021, 2022 and 2023, in accordance with the Articles of Association, Article 11, Paragraph 2, and following the Company's proposal. BDO Revizija d. o. o., družba za revidiranje, Ljubljana, was thus appointed as the Company's auditor.
- In September, several regular inspections by the Civil Aviation Agency were carried out to verify the Company's compliance with the binding requirements of the Slovenian and European legislation. Their satisfaction is required for maintaining the validity of the licence (certificate) for carrying out the Company's activities.
- At the 17th correspondence meeting of the General Meeting of FABCE, the company members of FABCE approved the Annual Report of FABCE for 2020.
- The Framework Agreement for Performance Planning RP3 Coordination Support - revision 2021 was signed by and between the Company and ANS CR, LPS and FABCE.

October

- On 5 and 6 October 2021, a representative of the Company participated in a web conference on the international exercise "VOLCEX 21". The purpose of the conference was to draw on the experience gained in previous years, to make relevant recommendations and take them into account in the objectives of the volcanic ash exercise "VOLCEX 21". The exercise took place on 16 November 2021. For the purposes of the exercise, the scenario of the actual 2010 eruption of the Eyjafjallajökull volcano was repeated.
- The Company prepared the draft Annual Business Plan for 2022 and the revised version of the Business Plan 2020-2024. Both documents were discussed and adopted by the Company's Supervisory Board at its 139th regular meeting held on 12 October 2021. In accordance with Article 8 of the Act on the Provision of Air Navigation Services, the Company submitted the Business Plans to the Minister of Infrastructure for his approval and to SSH for its information.
- On 14 October 2021, the Company's CEO attended the CANSO EC3 meeting in Brussels.
- On 19 and 20 October 2021, representatives of the Company attended a meeting in Tirana, which hosted representatives of air navigation service providers of the SECSI FRA countries and representatives of Albania and the Republic of North Macedonia. The main topic of the meeting was the extension of the SECSI FRA area to the territory of Albania and North Macedonia.

- On 25 October 2021, the Company's CEO attended the 25th AGM AND EXECUTIVE SUMMIT of the CEOs of the Civil Air Navigation Services Organisation (CANSO).
- From 26 to 28 October 2021, the Company's management attended the World ATM Congress in Madrid. The Congress is an annual gathering of air navigation service providers, ATM experts, representatives of professional associations and other international aviation organisations, as well as representatives of leading technology providers.

November

- Pursuant to Article 6 of the Terminal Charges Decree, the Government of the Republic of Slovenia adopted Decision No. 37200-5/2021/3 of 4 November 2021. In order to improve air connectivity and ensure favourable business environment, the Government decided to provide financial resources for 2022 and 2023 and to reduce the unit rate for air navigation services at terminals.
- On 3 November 2021, together with the representative trade unions, the Company concluded Addendum No. 4 to the Agreement on Measures to Mitigate the Negative Consequences of the COVID-19 Epidemic. In addition, the Amendments to the Addendum to the Company Collective Agreement on the amount of basic salaries, salaries by promotion grade and the amount of supplements to basic salaries was concluded with the Independent Air Traffic Controllers' Union of the Republic of Slovenia (SSKL). On the basis of these amendments, a temporary reduction in the salaries of the employees was extended for the period from 1 October 2021 to 31 December 2021
- On 10 November 2021, the EASA Annual Safety Conference was held under the auspices of the Slovenian Presidency of the Council of EU. The Company's CEO was in attendance.
- On 10 November 2021, John Santurbano, CEO of the EUROCONTROL MUAC Centre, and the Company's CEO signed a cooperation agreement for the use of ATM data as a service model. This cooperation will bring notable benefits to airspace users and air navigation service providers alike, namely greater ATM efficiency, reduced operating costs, greater synergies and maximum system integration and interoperability. This is a major step towards the concept of data centres developed in support of the Single European Sky, and towards meeting the performance targets set by the European Commission.
- Between 22 and 26 November 2021, the international military exercise RAMSTEIN GUARD 2021 took place at various locations in the airspace of the Republic of Slovenia under the leadership of NATO and with the participation of the Airspace Surveillance and Control Centre of Slovenian Armed Forces (15.PVL/16.CNKZP MORS), in which the operational services of the Company were also involved.
- The regular November meeting of the Eurocontrol Enlarged Committee for Route Charges was held on 22 and 23 November 2021. Representatives of the Company and the Slovenian Aviation Agency took part at the meeting. In consultation with representatives of air navigation service users, the topics discussed at the meeting included the cost bases and unit rates of Member States' en-route services for 2022 and the remainder of the third reference period (RP3). The unit rates for en-route services were approved by the Eurocontrol Enlarged Commission on 25 November 2021.

December

- On 2 December 2021, Albania and North Macedonia joined the SECSI FRA.
- By Ministerial Decision No. 3722-10/2021/9 of 19 November 2021, the Ministry of Infrastructure approved the Company's business plans, i.e., Business Plan 2020 - 2024, No. 030-11/8-2021, version 3.1, dated 5 October 2021, and Annual Business Plan 2022, No. 030-13/7-2021, version 1.1, dated 5 October 2021, in accordance with Article 8 of the Act on the Provision of Air Navigation Services, taking into account Commission Implementing Regulation 2017/373/EU. The two above mentioned plans were previously considered and adopted by the Company's Supervisory Board on 12 October 2021, in accordance with the Company's Articles of Association.
- Pursuant to Article 12 of the Act on the Provision of Air Navigation Services, in accordance with Commission Implementing Regulation 2019/317/EU and the Decree implementing the Regulation (EU) laying down a performance and charging scheme in the single European sky (Official Gazette of the RS, No. 3/20), the Minister of Infrastructure adopted the Decision of 6 December 2021 on the approval of the cost base and the unit rate for en-route services for 2022 in the amount of EUR 61.33.
- On 6 December 2021, pursuant to Article 12 of the Act on the Provision of Air Navigation Services and in accordance with the Decision of the Government of the Republic of Slovenia No. 37200-5/2021/3 of 4 November 2021 on the provision of funds to improve air connectivity and business environment, as well as the Terminal Charges Decree, the Minister of Infrastructure approved the total cost base for determining unit rates for air navigation services at terminals for the Republic of Slovenia for 2022, and the unit rate per service of EUR 277.14.

- In November and December 2021, the year-long harmonization process continued in an intense manner. The said process was conducted with the Ministry of Defence, and discussed the content of the new contract for the provision of air navigation services at Cerklje ob Krki Airport.
- In December, the Company completed the (year-long) process for becoming compliant with the requirements of 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), as amended by Commission Implementing Regulation (EU) 2020/1177 of 7 August 2020 amending Implementing Regulation (EU) 2020/469 as regards postponing dates of application of certain measures in the context of the COVID-19 pandemic (OJ L 259, 10 August 2020, p. 12) (hereinafter referred to as 'Commission Implementing Regulation 2020/469/EU').

1.2 KEY EVENTS AFTER BALANCE SHEET DATE

January

- On 6 and 7 January 2022, the external recertification audit review of the management system according to the international standard ISO 9001:2015 took place. As a result, the Company obtained an extension of the validity of the quality management system certificate (SI009178, valid until 18 January 2025).
- The Company and the Works Council concluded Addendum No. 3 to the Agreement on the Pension Plan to extend the period of suspension of the employer's contribution to the voluntary supplementary collective pension scheme for employees from 1 January to 31 December 2022.
- In January 2022, negotiations with the representative trade unions, the Independent Air Traffic Controllers' Union of the Republic of Slovenia (SSKL), the Aeronautical Information and Telecommunication Services Union (SAITS) and the Aeronautical Technical Services Union (SATS), ended with a view to concluding a new Collective Agreement for the air traffic management and control. In accordance with Article 5 of the Act on the Provision of Air Navigation Services, the Company submitted the proposal for a new collective agreement to the Ministry of Infrastructure in order to obtain prior approval by the Government of the Republic of Slovenia.

February

- The International Working Group on Volcanic Ash Crisis Management met in a web conference on 2, 3 and 11 February 2022. A representative of the Company is an active participant of the above mentioned working group. A cross-section of the "VOLCEX 21" exercise was made at the conference, which led to additional recommendations and guidelines having been made. The scenario of the exercise "VOLCEX 22", to be conducted by Spain, was also presented. The eruption of the Pico de Teide volcano in Tenerife is foreseen.
- On 24 February 2022, a military conflict erupted in Ukraine between Ukraine and the Russian Federation, which escalated the security situation between the Russian Federation and the European Union. It was followed by mutually imposed sanctions, which included the closing of the airspace and the banning of flights between the EU and the Russian Federation.
- In accordance with the aforementioned, on 26 February 2022 the Government of the Republic of Slovenia adopted the Decision prohibiting aircraft, which are registered in the Russian Federation, and operators, who are based in the Russian Federation and whose operating licence had been issued by the competent authority of the Russian Federation, from flying in the airspace of the Republic of Slovenia.
- On 28 February 2022, Council Regulation (EU) 2022/334 of 28 February 2022 amending Council Regulation (EU) No 833/2014 concerning restrictive measures in view of actions by Russia destabilising the situation in Ukraine (OJ L 57, 28 February 2022, p. 1) was adopted. This Council Regulation imposed a ban on all aircraft operated by Russian air carriers, including as a marketing carrier in code-sharing or blocked-space arrangements, or for any Russian registered aircraft, or for any non-Russian-registered aircraft which is owned or chartered, or otherwise controlled by any Russian natural or legal person, entity or body, to land in, take off from or overfly the territory of the Union unless it is an emergency landing or emergency overflight.

March

- On 10 March 2022, the Government of the Republic of Slovenia adopted the Decree on the provision of air navigation services for overflights of the airspace of the Republic of Slovenia by aircraft of allied countries for the period of implementation of NATO crisis management measures due to the situation in Ukraine (Official Gazette of the Republic of Slovenia, No. 34/22). The Decree established the

necessary basis for the provision of air navigation services for overflights of the airspace of the Republic of Slovenia by aircraft of the Member States of the Alliance, when they are not flying under the General Air Traffic (GAT) rules, for the time when the implementation of NATO crisis management measures is being addressed.

- On 16 March 2022, on the basis of the Decree referred to in the preceding indent, the Company and the Ministry of Defence, Slovenian Armed Forces, 16th Airspace Surveillance and Control Centre (16th CNKZP) adopted the Procedural Manual on the coordination of work for the implementation of the tasks set out in the Decree of the Government of the Republic of Slovenia on the provision of air navigation services for overflights of the airspace of the Republic of Slovenia by aircraft of allied countries for the period of implementation of NATO crisis management measures due to the situation in Ukraine. The Manual was approved by the Civil Aviation Agency.
- On 22 March 2022, the Government of the Republic of Slovenia adopted the Decision on the establishment of conditions for the overflight of high altitude and long autonomy military unmanned aircraft systems of allied countries in the airspace of the Republic of Slovenia for the period of implementation of NATO crisis response measures due to the situation in Ukraine, in order to ensure the defence interests of the Republic of Slovenia with regard to the situation in Ukraine. On 29 March 2022, on the basis of the above mentioned Decision and after having obtained the prior consent by the Military Aviation Authority and the Civil Aviation Agency of the Republic of Slovenia, the Company and the Ministry of Defence, Slovenian Armed Forces, 16th Airspace Surveillance and Control Centre (16th CNKZP), adopted the Procedural Manual on the coordination of work for the implementation of the tasks set out in the Decision of the Government of the Republic of Slovenia on establishment of conditions for the overflight of high altitude and long autonomy military unmanned aircraft systems of allied countries in the airspace of the Republic of Slovenia for the period of implementation of NATO crisis response measures due to the situation in Ukraine.

2 KEY FIGURES AND PERFORMANCE INDICATORS

The Company is financed by revenues from en-route and terminal charges paid by airlines. The cost of services provided is charged to the airlines by the European Organisation for the Safety of Air Navigation (Eurocontrol), which in turn remits the funds to the Company.

In accordance with the following legal documents and papers: (i) Multilateral Agreement on Air Route Charges (Act on the Ratification of the Multilateral Agreement on Air Route Charges, Official Gazette of the Republic of Slovenia - International Treaties, No. 11/95), Commission Implementing Regulation 2019/317/EU, the Decree implementing Implementing Regulation (EU) laying down a performance and charging scheme in the single European sky (Official Gazette of the Republic of Slovenia, No. 3/20) (hereinafter referred to as the "Decree Implementing Regulation 2019/317/EU"), and the Eurocontrol's Guidelines, as well as the Principles for establishing the cost base for en route charges and the calculation of the unit rates, the costs incurred by the following organisations: the Company, the Slovenian Civil Aviation Agency (as the national supervisory authority) and the Slovenian Environment Agency (for aviation meteorology services), are taken into account in the common cost base of the Republic of Slovenia for the purpose of establishing the cost base. The identified costs relating to the provision of air navigation services include the costs of labour, materials and other operating costs, depreciation and amortisation and the cost of capital which arise in the provision of en-route air navigation services. They are financed by the en-route charges. Considering the Terminal Charges Decree, these principles also reasonably apply to the determination of a cost base for terminal air navigation services. In this case, the identified costs of terminal air navigation services are financed by terminal charges. The unit rates are determined on the basis of the projected costs and traffic volumes for the following year. Any deviations of actual from the planned income are taken into account in the calculation of the unit rate two years later, according to a certain key, taking into account the risk sharing mechanism and incentive schemes (the so-called 'adjustment mechanism').

For 2021, the en-route unit rate of EUR 47.89 was calculated for the Republic of Slovenia, while it stood at EUR 51.79 in 2020. The terminal unit rate at all three international airports amounted to EUR 255.79 from 1 January to 31 January 2021 and to EUR 207.66 from 1 February to 31 December 2021. In 2020, the terminal unit rate was EUR 222.90.

Table 1: Analysis of the financial situation

in EUR	2021	2020	2019	Index 2021/2020	Index 2021/2019
Operating income	24.224.705	17.551.192	42.070.412	138	58
EBIT	-7.064.905	-14.329.398	5.492.948	49	-129
EBITDA	-3.600.141	-10.243.169	9.090.800	35	-40
Net profit	-7.240.633	-14.395.672	4.585.114	50	-158
Non-current assets	23.851.217	25.615.757	27.345.080	93	87
Current assets	5.804.741	4.978.964	10.610.872	117	55
Equity	4.940.951	10.307.825	24.736.997	48	20
Non-current liabilities	9.379.155	5.851.699	2.714.496	160	346
Current liabilities	12.625.297	11.687.704	7.972.333	108	158
Indicators	2021	2020	2019	Index 2021/2020	Index 2021/2019
EBIT margin	-29,16 %	-81,64 %	13,06 %	36	-223
EBITDA margin	-14,86 %	-58,36 %	21,61 %	25	-69
Return on equity (ROE)	-94,97 %	-82,16 %	19,66 %	116	-483
Return on assets (ROA)	-24,04 %	-42,00 %	12,64 %	57	-190
Financial leverage	6,00	2,97	1,53	202	391
Number of employees	2021	2020	2019	Index 2021/2020	Index 2021/2019
End of the year	217	225	228	96	95

Note: EBIT and EBITDA calculations

EBIT = (Contract sales revenue + Other operating income) - Operating expenses;

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

In 2021, the Company's business was again marked by the continuation of the global COVID-19 epidemic. Because of the new waves of the epidemic as a result of the emergence of new variants of the coronavirus, consequently, in connection with the related measures taken by countries to limit the spread of infections, the epidemic dictated a gradual recovery of the aviation sector and the growth of air traffic, depending on the speed of vaccination and the level of vaccination coverage achieved in the population.

As a result, the Company ended the financial year with a loss. Following 2019, which was the Company's most successful financial year, the Company generated 38% more income in 2021 than in 2020, and 42% less income than in 2019. In 2021, the Company generated EUR 24,224,705 in operating income, of which sales revenues amounted to EUR 21,065,028. Revenue generated from en-route charges amounted to EUR 17,610,017, which is 30% higher than in 2020 and 53% lower than in 2019. In 2021, terminal charges amounted to EUR 1,705,332, which is 86% more than in 2020, and 49% less than in 2019. In 2021, other sales revenue amounted to EUR 1,749,679, which is 76% more than in 2020, and 32% more than in 2019. Within sales revenue, en-route charges account for 84%, terminal charges for 8% and other sales revenue for 8%. Domestic sales accounted for a solid four per cent and foreign sales (mainly EU) for 96%. Other operating income amounted to EUR 3,159,677, of which income from State aid for the mitigation of the effects of the COVID-19 pandemic amounted to EUR 2,772,258, or 88% of other operating income.

In 2021, the Company's working capital was negative, with current liabilities exceeding current assets by EUR 6.8 million. To ensure liquidity, the Company borrowed short-term loans, which, together with the long-term loan, were drawn down in the amount of EUR 15.4 million at the end of 2021. The borrowing of sufficient short-term loans ensured the Company to operate smoothly in 2022 and beyond. Liquidity risk is analysed in more detail in Chapter 6.2 Financial risks, and in Chapter 3.2.25 Financial instruments and financial risk management.

In the face of a significant drop in revenues due to the decline in air traffic, the Company took measures to control and rationalise costs to the extent that the continued provision of air navigation services was possible, which, while reducing operating costs, still resulted in a loss in 2021.

As a result of the method used to set the charges in an individual year, which, inter alia, depends on the number of planned en-route flights and approaches/departures as well as the projected inflation, and the actual en-route flights and approaches/departures and actual inflation - the so-called adjustment mechanism - the Company will cover the loss of revenue in 2020 and 2021, and the resulting operating loss incurred in those two years, by means of the calculation of the unit rates set on the basis of the adjustment mechanism applicable for the 2023 – 2027 period.

2.1 PERFORMANCE INDICATORS

Pursuant to Commission Implementing Regulation 2019/317/EU, EU Member States are required to prepare a performance plan for air navigation services. In accordance with the EU regulations on the Single European Sky rules, the Performance Plan is a binding document for a Member State. The Performance Plan summarises the binding and other performance targets to be achieved by EU Member States in the provision of air navigation services during an individual reference period. The main purpose of the Plan is to set out the directions and means for the achievement of the envisaged performance targets in the key areas of safety, capacity, environment and cost-efficiency for navigation service providers and the national supervisory authority. The Performance Plan must also include all financial and other data, which are required by the legislation for the duration of the reporting period. They have to be consistent with the data in the business plans, which are prepared by air navigation service providers and national supervisory authorities, and with the cost bases of a Member State. The Performance Plan must be consistent with the performance targets of the European Union as set by the European Commission for each individual reference period.

The year of 2021 was the second year of the third reference period (RP3), which lasts from 2020 to 2024, and for which Union-wide performance targets and performance indicators were set for all four key performance areas, i.e. capacity, cost-efficiency, safety and environment. In accordance with Commission Implementing Regulation 2019/317/EU, the Republic of Slovenia prepared the Draft Performance Plan (PPP) 2020 - 2024 for the third reporting period in 2019, and submitted it to the European Commission, in accordance with Article 12 of Commission Implementing Regulation 2019/317/EU. The draft Performance Plan 2020-2024 for the Republic of Slovenia laid down the guidelines and methods for achieving the envisaged performance targets in key areas for all air navigation service providers; that is, in addition to the Company, the Aviation Meteorology Service of the Slovenian Environment Agency and

the national 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) requires the setting of targets and performance indicators for all four performance areas, i.e. capacity, cost-efficiency, safety and environment. The draft Performance Plan 2020-2024 for the Republic of Slovenia was based on the data as planned before the COVID-19 epidemic and in line with the then applicable Union-wide performance targets for the third reference period. Accordingly, in the 2021 Annual Business Plan, the Company defined these performance indicators as binding, and determined their values in relation to the 2021 Union-wide performance targets, and collected and evaluated data relevant for monitoring the safety performance indicators.

The binding targets and performance indicators in the key performance areas, as set in accordance with the Draft Performance Plan 2020-2024 for the Republic of Slovenia and the adopted Annual Business Plan 2021, are defined as follows:

- in the area of capacity, "the average en-route air traffic flow management (ATFM) delay per flight" is considered and measured as a binding performance indicator at the Ljubljana Area Control Centre (Ljubljana ACC);
- in the area of cost-efficiency, the value of the "determined unit rate for en-route air navigation services (ANS) in real terms, EUR 2017" within the Ljubljana Flight Information Region (FIR Ljubljana) is considered and measured as a binding performance indicator;
- in the area of safety, "Effectiveness of Safety Management" (EoSM) is identified as a key performance indicator;
- in the area of environmental field, for the third reference period 2020-2024, the binding performance indicators were set as "average horizontal en-route flight efficiency of the actual trajectory" and the "average horizontal en-route flight efficiency of the last filled flight trajectory".

The target delay reference values for the area of capacity are set by Eurocontrol. For the Republic of Slovenia, the delay target for 2021 was set at 0.24 minutes per flight. The delay targets set for the 2020-2024 reference period for the Republic of Slovenia, including the 2021 target, were consistent with or significantly better than the Union-wide targets. The actual value of this indicator for 2021 for the Republic of Slovenia was 0.0 minutes per flight, which was better than both the target value for the indicator and the actual value of this indicator for 2020, when, for the Republic of Slovenia, the latter was 0.001 minutes per flight.

Commission Implementing Regulation 2019/317/EU sets a downward trend for the average unit rate in Europe. For the Republic of Slovenia, the target was set to reduce the average real unit rate for en-route air navigation services on a 2014 basis by 2.7% per annum over the third reference period (RP3, 2020-2024), which effectively translates into a 1.9% per annum price reduction over the period 2020-2024 from 2019 onwards. In the draft Performance Plan, the Company, and thus the Republic of Slovenia, achieved price efficiency with a unit rate for en-route air navigation services which, taking into account the effects of the adjustment mechanism from the second reference period (RP2, 2015-2019), amounted to EUR 47,89 in nominal terms in 2021. With this unit rate for en-route air navigation services, and due to the persistence of the COVID-19 epidemic and the consequent still significantly reduced air traffic volumes, the Company made a loss of EUR 7,240,633.43 in 2021, which is a negative result. As the data for the calculation of the cost-efficiency indicator for 2021 could no longer be linked to the data in the draft Performance Plan 2020-2024 for the Republic of Slovenia of 2019, when the data for the calculation of the cost-efficiency indicator for 2021 was prepared, in the context of the emergency situation due to the emergence of COVID-19, it is not possible to assess the achievement of the cost-efficiency indicator for 2021. This is because in 2020 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, according to the provisions of which the period 2020-2021 is considered as a single period. Pursuant to this Regulation, the European Commission adopted Commission Implementing Decision 2021/891/EU on 2 June 2021, and Member States were required to submit revised Performance Plans for the third reference period to the European Commission for its evaluation by 17 November 2021 at the latest.

The environmental target for the third reference period is set at the national level and was defined at 1.68% for the Republic of Slovenia for 2021. This means that the actual air 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 2021, with a value of 1.48%.

The only safety KPI at the international level for which the achievement of an appropriate value is prescribed and measured by EASA, and for which 2021 represents the second year of the current reference period, is the Effectiveness of Safety Management (EoSM). In 2021, the adequacy of the EoSM indicator was first time measured by using a rather modified methodology, which, however, converges in terms of content and is harmonised with the commonly defined and globally applied "Standard of Excellence" (SoE) methodology of Eurocontrol and CANSO. In the second year of measurement and under the supervision of EASA and the Civil Aviation Agency of the Republic of Slovenia, the EoSM indicator for 2021 reached the expected levels of maturity for the individual assessment areas.

3 PROVISION OF AIR NAVIGATION SERVICES IN 2021

The Company provides air traffic management (ATM)/air navigation services (ANS), i.e., air navigation services in the Republic of Slovenia in accordance with Slovenian and European legislation, European standards, standards and recommendations of the International Civil Aviation Organisation (ICAO) and Eurocontrol, as well as in compliance with the Letters of Agreement (LoAs) concluded with neighbouring air navigation service providers, and international treaties binding on the Republic of Slovenia. Based on the certificate No. 37290-2/2020/1 - second issue of 23 December 2008 for the provision of air traffic management (ATM)/air navigation services (ANS), which was issued by the Civil Aviation Agency of the Republic of Slovenia, the Company performs the following services: air traffic services (ATS), air traffic flow management (ATFM), airspace management (ASM), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS), which are needed for airspace users, as well as the provision, upgrade and maintenance of communication, navigation and surveillance systems for communication, navigation and surveillance services (CNS) for the purpose of air traffic management and control.

On the basis of the Air Traffic Controller Training Organisation Certificate No. 60404-1/2021/2 of 26 February 2021, issued by the Civil Aviation Agency of the Republic of Slovenia, the Slovenia Control's air traffic controller training organisation, i.e., the Flight School provides professional training for operational staff involved in the provision of air navigation services.

The Company identified the following goals in its Annual Business Plan 2021:

1. air traffic safety;
2. adequate airspace capacity;
3. receiving, processing and publishing 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. maintaining a strong corporate role in FABCE;
7. ensuring continued compliance with the common requirements for maintaining certification as a provider of air traffic services (ATS), communication, navigation and surveillance services (CNS), aeronautical information services (AIS), a service provider of air traffic flow management (ATFM) and airspace management (ASM) and with the requirements of the Single European Sky;
8. achieving performance targets from the Performance Plan 2020-2024 for the Republic of Slovenia in the areas of safety, capacity and environment. The cost-efficiency target was redefined in 2021 due to the negative impact of the COVID-19 pandemic as a result of a change in European legislation. This was duly taken into account in the preparation of the new Performance Plan 2020-2024 for the Republic of Slovenia (2021).

In carrying out its core business in 2021, the Company implemented all activities and planned investments and infrastructure projects in line with the Company's annual and strategic objectives.

3.1 AIR TRAFFIC SERVICES

Ensuring the safe, orderly and expeditious flow of air traffic is a priority for the Air Traffic Services (hereinafter referred to as: "ATS"). The Company provides en-route air traffic control in Slovenian airspace, except for the upper part of the 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 international airports, specifically, Ljubljana Jože Pučnik, Maribor Edvard Rusjan Airport and Portorož, Airport, as well as aerodrome air traffic control at Cerklje ob Krki Airport. In 2021, the Ljubljana Area Control Centre (hereinafter referred to as: "ACC") provided services in one part of the Italian airspace in the area designated IS01-IS04. In the Mura sector, the provision of air traffic services was transferred to the Austrian company Austro Control for operational reasons, and in the case of the Austrian Carinthia sector, from the Austrian provider to Slovenia Control for the same reasons. The most important activities and events implemented under the scope of ATS in 2021 are:

Capacity

- The necessary staffing ensured that the sectors were adequately open in relation to traffic, which, in the Dolsko sector, was by 37.74% lower on an annual level (57.66% lower in 2020). No air traffic delays were generated in 2021.

Procedures

- In 2021, we ensured that operational documents such as instructions and agreements (between ATS units and neighbouring - foreign air traffic control units) were kept up-to-date.
- Representatives of the department actively participated in the project which aims at expanding cross-border free route airspace, entitled: "South East Common Sky Initiative Free Route Airspace" - SECSI FRA. The main focus of the project group was placed on the optimisation of operational procedures for flight planning and cross-sector coordination both within the Company and with neighbouring air navigation service providers. The agenda of the meetings included the coordination of matters related to the expansion of the SECSI FRA area to include the airspace of North Macedonia and Albania. The actual accession was successfully implemented at the end of the year, on the AIRAC date – 2 December 2021.
- In order to understand the evolution of traffic flows through the territory of the Republic of Slovenia, the following data were analysed on a monthly basis:
 - the global and regional epidemiological situation in the wake of the COVID-19 pandemic;
 - economic indicators in the countries to which most carriers fly via Slovenian territory;
 - trends in major traffic flows – "airport city pairs": e.g. London-Greek Islands, Munich-Antalya, etc.).
- In the context of 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 the immediate surroundings;
 - information from travel agencies on holiday accommodation occupancy rates in the Middle East, the Mediterranean and the Red Sea regions.
- Cross-border ongoing coordination and cooperation on the analysis of the 2021 season was carried out, focusing on the circumstances related to the epidemiological situation and stormy weather and the consequent diversions of the main traffic flows in the region. Due to the measures taken to prevent the spread of COVID-19, most of the meetings were held remotely via tele and video conferencing.
- Preparations continued for the optimisation of procedures and volumes in the controlled airspace of the Republic of Slovenia below flight level (FL) 245.
- Partial implementation of the instrument procedures of the TMA terminal zone of Cerklje ob Krki Airport and the redesign of the CTR Cerklje ob Krki Airport zone was carried out.
- Coordination meetings continued with the Ministry of Defence and the Civil Aviation Agency of the Republic of Slovenia on the implementation of the remaining instrument procedures (SID, STAR and Approach) for Cerklje ob Krki Airport (LJCE).
- For the PBN instrument procedures for Portorož Airport, coordination with the Croatian contractor Croatia Control for the implementation of the AMC portal was performed.

Technical improvements

- In 2021, upgrades and corrections to the operational software were made to enable safe and reliable air traffic management.
- Defects were eliminated and technical improvements to the FPDS system were implemented.
- The RDD system was upgraded with minor fixes to make it more intuitive and faster to use.
- The LJCE TMA has been implemented, operationally supported by appropriate development and implementation of operational software.
- X servers in operational workstations were replaced.
- The new OLDI messages TIM, COF and MAS were successfully implemented with LIPP.
- A new version of eStrips was successfully implemented.
- A project to change the architecture of the FDPS has been launched - the transition to a service-oriented operation is underway.
- The project to replace the tower monitors for Cerklje, Maribor and Portorož airports (TWR LJCE, LJMB and LJPZ) started.
- The new TWR QAM was successfully implemented.
- The project to implement the AMC portal through business informatics in TWR Portorož was launched.
- The electronic "Problem Report" was successfully implemented in all positions.
- The configuration of the STCA system was optimised. The number of unnecessary alarms was reduced by 71% compared to 2020 with the new configuration.
- A project to procure a new STCA was launched.
- The user guides for the operational systems were updated accordingly, and abstracts of the changes were prepared in line with the changes to the operational systems. All the main manuals and user guides were issued as new versions in plain copy.
- The simulator, both tower and radar simulators, underwent a major upgrade of both the simulator itself and the graphical interface. Unfortunately, the six computers that handle the tower simulator

image are not powerful enough for the new generation of graphics. More powerful computers will have to be purchased.

- The radar simulator premises are no longer declared as a back-up location in case of the need to close the Aera Control Centre.

The ATS regularly updated its working documents.

A detailed analysis with air traffic data in 2021 is presented in Chapter 4 - Air traffic data.

3.2 COMMUNICATIONS, NAVIGATION AND SURVEILLANCE

The main activities of the Communications, Navigation and Surveillance/ATM Systems Department (hereinafter referred to as the "CNS/ATM") are: the 24/7 technical surveillance of the Company's functional ATM and operational systems, as well as the preventive, curative and evolutionary maintenance of these functional ATM and operational systems. Evolutionary maintenance is not limited to existing systems alone, but also extends to their development and to the development of new systems or specific system functionalities, and finally to the design, installation and making new systems operational. The year 2021, like 2020, was marked by the COVID-19 pandemic crisis, which did not affect CNS/ATM activities in each (sub)domain of the department's activity (details are also described in the chapter on investments). CNS/ATM has to carry out all the prescribed activities on the devices and systems despite the limitations due to the COVID-19 pandemic, as the (regular, as well as emergency) maintenance of the systems and devices does not depend on the volume of air traffic in the Republic of Slovenia. All prescribed activities must be carried out in order to maintain the operational status of the systems and devices.

To ensure the capability of the department to carry out its activities, training of the department's operational staff on the Air Traffic Safety Electronics Personnel Authorisations was carried out in 2021, mainly to provide training for CSMC and contingency CSMC as well as additional training for CNS/ATM staff with the aim of renewing new NAV System authorisations due to retirements. In accordance with the training system for maintaining the competence of operational staff, the endorsements in the ATSEP Licences were renewed accordingly with the support of the Operational Training Service - Flight School.

The activities of the Department were carried out regularly and in accordance with the monthly maintenance plans, despite the COVID-19 measures, and for major maintenance works also on specific dates coordinated at FAB CE level. Regular flight calibrations of all radio navigation devices were carried out in accordance with ICAO standards, as well as calibrations of light fixtures for the needs of other customers. The magnetic declination in the ATIS system was also corrected after the airborne calibration. The CNS/ATM operational staff is actively and constructively involved in a number of international bodies working in the field of communications, navigation and surveillance as well as data processing (CNS) as a technical and technological activity in the provision of air navigation services. The aim is not only keeping abreast of the pace of technological development but also to participate in its future development. The CNS/ATM staff participate in various FAB CE expert working groups, in the NDtech group for CNS, and in the cybersecurity group.

In 2021, the CNS/ATM successfully completed the transition from 25 kHz to 8.33 kHz channel resolution in the aviation spectrum for all VHF radio stations at the Area Control Centre and airport sites, and the refurbishment of the VHF systems at the Portorož and Maribor airports and at the Janče location was launched.

The project to set up its own MW connections (MicroWave) continued. As a result, the Company will increase redundancy in A/G voice communication and reduce the Company's dependence on telecommunications service providers. Due to the impact of the COVID-19 pandemic, the implementation concept was simplified and the project is nearing its completion.

In 2021, work started on a project to carry out ambient recording in the premises of the Area Control Centre and at airports. Activities also started to extend the WAM Multilateration System to the eastern part of Slovenia. The implementation of the MAister Multilateration (MAM) system follows the Company's strategy of introducing new technologies in the field of surveillance systems. By implementing the MAM system, the Company aims to improve aircraft detection in the eastern part of Slovenia, as well as to provide additional (dual) secondary coverage of this area. MAM is a system of receiving and transmitting sensors which are distributed over a wide geographical area of Slovenia. The sensors receive responses sent by aircraft flying in and around our airspace via transponders. The data is then transmitted to a central processing system. The configuration of the receiving sensors, their locations and deployments are determined by the Company on the basis of analyses of the theoretical signal coverage. At least one transmitting unit will be added to the configuration, through which the MAM system will be able to

periodically perform the so-called aircraft interrogation (requests for aircraft responses via their transponders). In this way, the MAM system will be able to ensure the independence of aircraft detection, similarly to the secondary radar. The central system consists of a redundant configuration of servers located in the technical rooms of the ATC centre. The system receives the data sent by the receiving sensors via IP communication paths and calculates the aircraft location based on the time difference of the received information using the mathematical method TDOA (Time Difference of Arrival). MAM will be a parallel aircraft detection system by means of which Company aims to provide independent aircraft detection. Small, locally distributed receivers will enable to detect low-flying aircraft or to detect them in areas that cannot be covered by existing radar systems due to their locations. This means that the additional dual coverage of the area will be provided, which is currently provided by SLOWAM. The MAM system will, among other things, adequately reduce spectrum congestion, which is also a Eurocontrol recommendation. In 2021, the technical requirements for the extension or implementation of the MAM system were prepared.

In 2021, in accordance with the decision of the Civil Aviation Agency of the Republic of Slovenia, the monitoring of the SSR frequency spectrum (1030 and 1090) started. With this, the related "interrogations" began which can have a significant impact on the operation of aircraft transponders. The 2021 report was produced and sent to the Civil Aviation Agency, acting in the capacity of the supervisory authority. The report shows that the LJLA FIR is heavily burdened by transponder interrogations and that the number of interrogations often exceeds the maximum values set.

In 2021, CNS/ATM not only realised or achieved significant milestones in a number of investment projects (described in more detail in the Investment chapter), but also successfully developed (continued to develop) its own products in support of the ATM process. In particular, the development of automated systems in the framework of the ADaaS2 project, which aims at developing a prototype operational system which can provide the Company with a competitive advantage in the future and the possibility to engage in additional market-oriented activity by providing operational services to other air navigation service providers. In addition, the future potential for competitive advantage and, in particular, the potential to start exploiting the newly created market opportunity is conditional upon certification in accordance with the requirements for an 'Air Traffic Management Data Service Provider'. These, however, are still in the process of being defined and are laid down by the European Aviation Safety Agency - EASA.

For the needs of the ATS, a number of new functionalities for automated systems were developed and implemented in order to support the air traffic management and control process, including the development of a meteorological information system for airport air traffic control - TWR QAM. This system displays data transmitted from the meteorological (METEO) service of the Slovenian Environment Agency at individual airport control towers at the working positions of air traffic controllers. The operational implementation was carried out in June 2021, and the equipment was corrected for magnetic declination as part of this project.

The new VCR system, which is used to record and reproduce radar data, is also the result of in-house development. The system was put into test operation at the end of 2021, and was preceded by training to obtain the relevant ATSEP authorisation and FAT and SAT testing.

In early 2021 (January and February), the hardware for the X Servers was replaced. The replacement was carried out due to an increase in the number of failures of the previous hardware. In March and April, the OS (Operating System) on all Estrip and all Albatross computers (Oracle Linux-8) was replaced. On the other operating systems, the OS replacement is planned for 2022. The OS replacement will be carried out at the same time as the hardware replacement. Most of the operational Ethernet switches were replaced in October, while the routers were replaced in November. The replacement was carried out for security reasons as the old equipment was nearing the time, when the manufacturer support would come to an end.

In accordance with the contract concluded with the Ministry of Defence, all necessary activities were carried out to maintain the operability of the CNS systems and devices at the Cerklje ob Krki Airport. In April 2021, a display of the navigation systems at Cerklje ob Krki Airport (CKL LOC, CKL GP, CKL DME, CKL MM, CKL OM, CL L, RK L, COK DVOR, COK DME) was added to the website.

In spring 2021, the power supply system for Tier IV PS critical consumers was successfully upgraded, so that the medium voltage switches in both transformer substations are now remotely controlled from the distribution dispatching point of the distributor, i.e., Elektro Gorenjska. The upgrade increased the level of safety at work and thus the availability and the reliability of the power supply. In June, for the first time since the start of operation, a so-called "power stress test" was carried out on the power supply to critical

electricity consumers from all power sources available. The procedures included technical, procedural and organisational aspects in the event of a major failure of the power supply components or an accident at both transformer stations in the ATCC facility. The analysis showed that the availability of the power supply system was at a high level, both at the technical level and at the level of competence to quickly remedy degradations.

In 2021, the Company entered into a long-term lease agreement with the Ministry of Defence for a radar site at Ljubljanski vrh above Vrhnika, where the Company installed a MODE-S radar system. In accordance with this contract, the Company renewed the electrical installation and secured an independent back-up as well as an uninterruptible power supply system, as well as carried out the structural rehabilitation of the radar platform to prevent the ingress of meteor water into the facility.

In 2021, the centralised System Monitoring and Control Centre at SMC ATCC (CSMC) carried out control under stricter COVID-19 conditions without interference because of infections of the staff. A modified attendance regime was implemented to minimise team mixing. Capacity preservation activities, the so-called "contingency" CSMC, were also implemented, culminating in its establishment in early 2022.

In 2021, there were no major system failures or degradations within the CNS/ATM scope of work which would have had an impact on air traffic safety or airspace capacity.

3.3 PERFORMANCE OF AERONAUTICAL INFORMATION SERVICES

The aeronautical information services, which are provided by the Aeronautical Information Services Department (hereinafter referred to as: "AIS"), ensure that up-to-date aeronautical information are published and distributed in a timely manner, by means of the publication of the Aeronautical Information Publications (AIPs) and NOTAMs, as well as the necessary pre-flight information to pilots, the receipt and submission of flight plans, the provision and management of the Aeronautical Fixed Telecommunications Network (AFTN) and other flight-safety-related services, which are needed by users. In addition to the work and tasks related to the provision of aeronautical information, in accordance with international standards and recommended practices, AIS also performs operational work and tasks related to the processing and distribution of data which is required to accurately calculate en-route and terminal charges. AIS maintained a documentation management system on a regular basis throughout the year, and its main activities and achievements are presented below.

In 2021, 24,240 flight plans (hereinafter referred to as: "FPLs") were processed by the Aeronautical Reporting Office (ARO). This represents an increase of 18% compared to 2021. The share of FPLs which were submitted via the eARO web portal in the total FPLs processed was 43%, a decrease of 5% compared to 2021. This is understandable since the activities were significantly reduced due to the COVID-19 measures.

Table 2: Flight Plans Processed (FPL) and FPL related messages in 2021

	FPL TOTAL	FPL eARO	PIB	DEP	ARR	DLA	CNL	CHG	REA	TOTAL
JAN	900	855	262	72	132	116	103	22	6	2,468
FEB	1,410	798	264	114	252	165	98	49	7	3,157
MAR	1,972	1,011	334	183	554	109	151	33	2	4,349
APR	1,117	534	314	125	242	54	65	35	4	2,490
MAY	2,076	847	415	306	546	154	221	42	5	4,612
JUN	3,085	1,302	499	689	1,165	226	243	68	10	7,287
JUL	3,196	1,134	710	782	1,192	272	255	85	53	7,679
AUG	3,145	986	720	668	1,122	221	170	58	64	7,154
SEP	3,230	1,365	720	748	1,190	223	204	73	35	7,788
OCT	1,972	845	699	442	726	204	170	57	32	5,147
NOV	1,117	469	575	161	289	135	119	40	15	2,920
DEC	1,020	483	601	136	255	107	136	28	15	2,781
TOTAL	24,240	10,629	6,113	4,426	7,665	1,986	1,935	590	248	57,832

Note: FPL (Flight Plan); PIB (Pre-Flight Information Bulletin), DEP (Departure); ARR (Arrival); DLA (Delay); CNL (Cancel); CHG (Change); REA (Ready Message).

The number of PIBs (Pre-Flight Information Bulletins) produced in 2021 was 6,113. Compared to 2020, the number of PIBs issued increased by 43%, mainly due to the increase in the number of commercial flights from Ljubljana Jože Pučnik Airport.

The efficient deployment of staff within the centralised ARO office made it possible that the workload was evenly distributed among all ARO staff. The Company recorded 12,732 calls to the call centre entry number in 2021, an increase of 27% compared to 2020. There were more than 1,200 eARO users registered. In the context of the overall use of the eARO service, a downward trend in the overall use of the tool was recorded in 2021.

In 2021, the Company continued its cooperation with the selected contractor and the development of the new eARO 2.0 application, which was formally adopted and integrated into the Service's operations in the first half of 2021.

The Information and Communication Centre (ICC) carried out activities to improve the NOTAM messaging process in the WebADP application. The part of the process, which controls the quality of the NOTAMs issued, was changed. The changes will be integrated into the work process in the first half of 2022. A total of 4,335 NOTAMs were issued in 2021, which represents an increase of 6.2% compared to 2020. A total of 4,888 PIBs were also issued and distributed, which is practically the same as in 2020. An upgrade of the EAD hardware version 14 was carried out.

In 2021, the internal applications used in the process for issuing NOTAM messages (NOTAM database, iDiary) were regularly updated.

International connections to the AMHS centres in Vienna, Rome, Haren and Bretigny were up and running. Regular "contingency" checks of the procedures with the centres in Haren and Bretigny were carried out during the AIRAC cycle. All checks were carried out with no problems identified. The AFTN international connection to the Vienna centre, which serves as a redundant means of receiving and transmitting aeronautical messages, was not used in 2021. The AMHS system connections via the NewPENS network to Eurocontrol and the Austrian contractor Austro Control, as well as the Italian contractor ENAV, are established and operational without any problems identified. Thus, the Company successfully uses all international AMHS connections to NewPENS. The AMC (Air Traffic Services Messaging Management Centre) tables, which allow the conversion of addresses between AFTN and the AMHS system, were regularly maintained during the AIRAC cycles. The Company also started the preparatory activities for a tender to upgrade the existing AFTN/AMHS system in 2021. The upgrade is expected to be completed in 2022.

The Aeronautical Information Publications Service (AIP/MAP) continued its activities for the direct exchange of data between the Company and the Eurocontrol EAD Static and Dynamic Data (EAD SDD) database, as required by the Commission Implementing Regulation 2017/373/EU. The processes, procedures and working instructions of AIP/MAP and the user manuals were upgraded to demonstrate compliance with the Regulation.

AIP/MAP participated in the preparation of the Data Provision Index (DPI) and Data Quality Requirements (DQR). They are the basis for the agreements with data suppliers which are published by the Civil Aviation Agency of the Republic of Slovenia on its website.

AIS finalised and signed SLAs (Service Level Agreements) for the supply of aeronautical data with all data suppliers in the Republic of Slovenia in 2021.

Despite the difficult circumstances, AIS managed to produce and publish a revised 1:250,000 scale VFR chart of Slovenia. There is still a lot of work to be done on the changes to the cross-border "Free Route Airspace" project, called the SECSI FRA project. In this context, it is always necessary to coordinate publication and data storage activities with the AIS units of neighbouring air navigation service providers, as well as with Eurocontrol.

AIS successfully completed the hand-over and upgrade of the new ADMT software in July 2021. The software is in the process of being tested on the ADMT test system and is expected to be operational in 2022. The upgrade of all 10 EAD terminals (ECIT), which are used in ARO for FPL, in NOTAM for NOTAM publication, and in AIP/MAP for the production of the AIP of Slovenia and flight charts were successfully completed.

3.4 HUMAN RESOURCES

Human resources activities are focused on achieving the Company's objectives set out in its five-year plan and annual business plan, in particular, the Company's strategic goal aimed at the employee development. The development of staff, in particular their expertise, is the third pillar, in addition to their technical and operational capacities, which ensures that the Company, as an air navigation service provider, is able to perform its tasks in a safe, efficient, continuous and sustainable manner in order to meet any demand from airspace users.

As at 31 December 2021, the Company had 217 employees. The Company did not recruit any new staff in 2021. The number of employees of the Company decreased by eight compared to 2020.

The change in the number of staff in 2021 compared to 2020 is due to the termination of the service of employees working at the following work posts:

- Visual Air Traffic Controller at the Cerklje Airport Air Traffic Control Service, in the Air Traffic Services Department;
- Head of the Aeronautical Reporting Office - ARO - in the Aeronautical Information Services Department;
- Development Technologist in the Aeronautical Information Services Department;
- Development Technologist in the CNS/ATM Department;
- Specialist Technician in the Navigation and Airports Service (NAV) of the CNS/ATM Department;
- Development Technologist in the Safety office of the CEO's Staff;
- a clerk in the Human Resources Management Service of the General Management Department; and
- Administrative Assistant in the Investment and Procurement Service of the General Management Department.

Table 3 below shows the structure of the Company's workforce by job group as at 31 December 2021.

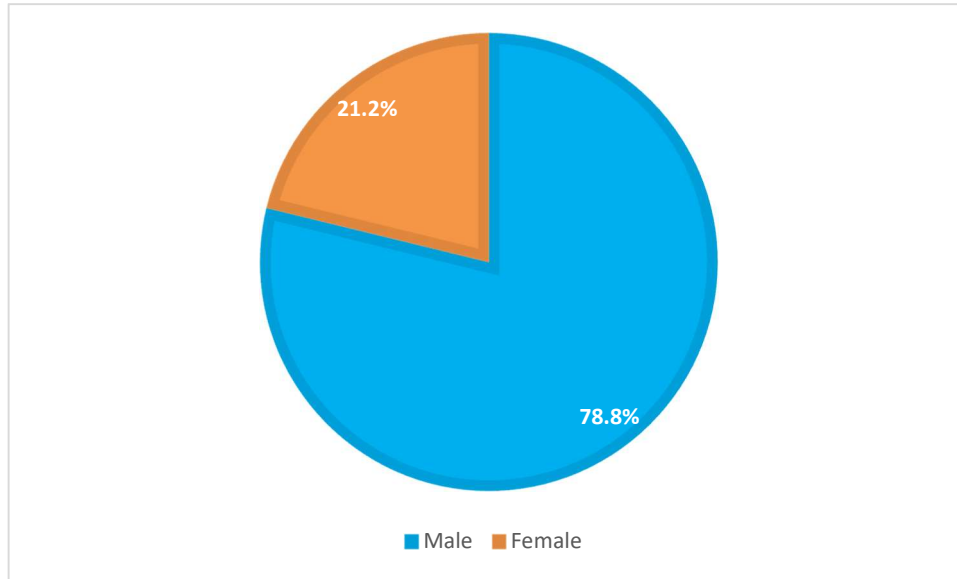
Table 3: Staff structure at 31 December 2021

Staff structure	
Group of air traffic control jobs requiring a work permit or licence - licensed staff	
• Air Traffic Services - Air Traffic Controllers	108
• Air Traffic Services - Operators (FDT + FIS)	13
• Communication, navigation and surveillance	35
• Aeronautical Information Services	20
Total licensed staff	176
Unlicensed staff	41
Total all employees	217

Employee structure by gender

In 2021, 21.2% of the Company's workforce was female (46 women, one fewer than in 2020) and 78.8% or 171 men, seven fewer than in 2020.

Figure 3: Employee gender structure as at 31 December 2021



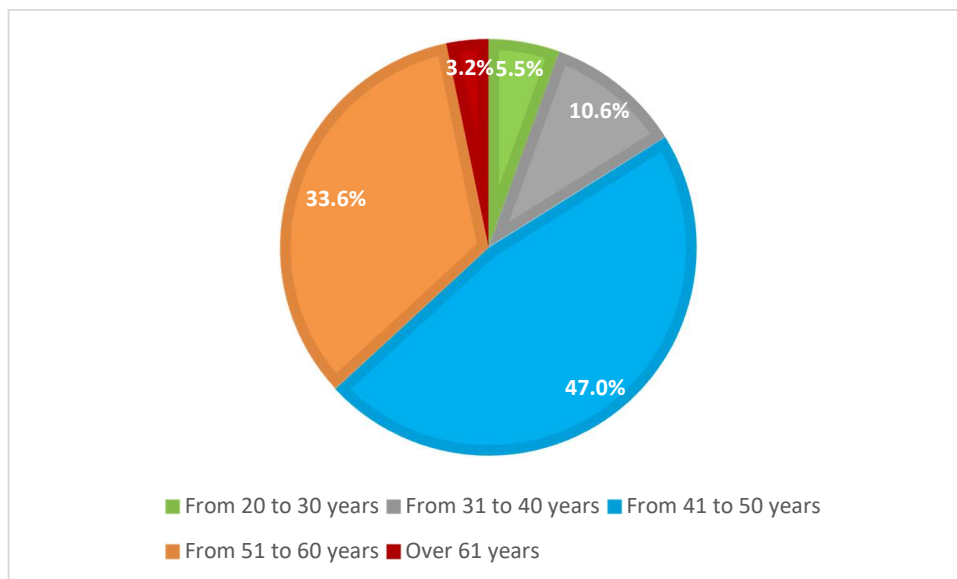
Employee structure by age

In 2020, the average age of employees was 47 years (46.3 years in 2020). Almost half of all employees, 47%, or 102 employees to be precise, were between 41 and 50 years old. Employees aged 40 and under account for 16.1% of employees, or 35 employees, while 36.9% of employees, or 80 employees, were over 51 years old.

Table 4: Employee age structure

Employee age as at	31 Dec 2021
From 20 to 30 years	12
From 31 to 40 years	23
From 41 to 50 years	102
From 51 to 60 years	73
Over 61 years	7
Total	217

Figure 4: Employee age structure



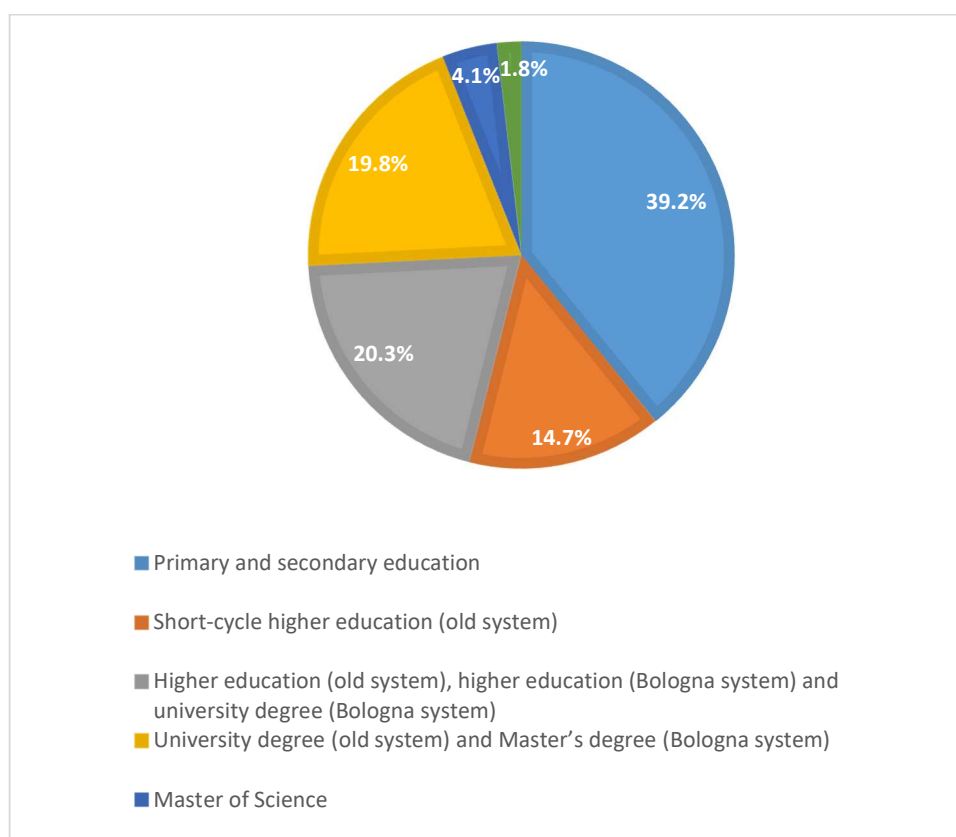
Employee structure by education

In 2021, 39.2% of all employees had primary and secondary education, while 20.3% of all employees had a higher education qualification (old system), higher education qualification (Bologna system) and university education qualification (Bologna system), and 19.8% of all employees had a university degree qualification (old system), a Master's degree qualification (Bologna system). This is followed by employees with a short-cycle higher education (old system), who represent 14.7% of all employees. A smaller proportion of employees had the highest level of education, with 4.1% holding a Master's degree and 1.8% a PhD.

Table 5: Educational structure of employees

Education/Number as at	Level	31 Dec 2021
Primary and secondary education		85
Short-cycle higher education (old system)	VI/1	32
Higher education (old system), higher education (Bologna system) and university degree (Bologna system)	VI/2	44
University degree (old system) and Master's degree (Bologna system)	VII	43
Master of Science	VIII/1	9
Doctor of Science and Doctor of science (Bologna system)	VIII/2	4
Total		217

Figure 5: Educational structure of employees



3.4.1 Employee development

The Company's employees have the strongest impact on the performance, safety and continuity of its main activities. High-quality and professionally qualified staff, with their knowledge, skills, creativity, work experience and motivation, are identified as the most important asset of the Company. As a result, HR policies are focused on the continuous acquisition and maintenance of employees' relevant competences through continuous training and upgrading of their knowledge.

Training, education and upskilling of employees

The Company has consistently met the commitments made in its Employee Development and Training Strategy, where it identified investing in the training and development of its employees as a strategic objective. To this end, the Company draws up an annual Employee Training Plan, by means of which the education and training programme for operational staff and the professional training programmes for non-operational staff are planned. Taking into account the emergency situation caused by the COVID-19 epidemic and the hygiene, protection and organisational measures taken, as well as the negative impact of the epidemic on the Company's operations, in 2021, the Company continued to provide mainly the required training and education programmes for its employees and, in particular, the necessary training for its operational staff in order to obtain and maintain work permits.

Strengthening organisational culture

Organisational culture, as a shared system of values, beliefs and behaviours in an organisation, binds employees together and is an important factor in the success of a company that needs to be developed and built upon. The Company strives to strengthen employees' motivation and organisational loyalty. This category is an important factor in motivating and engaging employees to make the most of their skills and experience. In this context, the Company encourages collaboration to achieve better results, fosters employees' awareness of their role in creating results and promotes a sense of responsibility for individuals and the team.

Strengthening communication

The Company has developed various formal and informal forms of communication and provision of information for employees; senior managers and heads of departments are available to talk to employees throughout the year. These interviews provide an opportunity for employees to make suggestions, express criticism and discuss expectations in relation to their work, as well as their personal and professional development. In addition to the above-mentioned forms of communication, employee interviews are also held in the context of the regular annual sector-specific consultation meetings for employees in the Air Traffic Services, Communication, Navigation and Surveillance (CNS/ATM), Aeronautical Information Services and support positions for air traffic control services. The Company communicates with employees through social dialogue, which is held with the Works Council, and the representative trade unions. In 2021, social dialogue continued to be of intense nature in order to agree and adopt measures to mitigate the negative impact of the COVID-19 pandemic on the Company's business. Communication and information to employees took the form of meetings, which were also conducted using digital tools and video-conferencing systems, as well as through the internal portal, e-mail and the Company's website, and, in addition to these, through informal meetings.

Occupational health and safety

As in 2020, the Company focused on the health of its employees in 2021, particularly with regard to the prevention of the COVID-19 infection. In order to protect the health of employees and ensure safe working conditions, an Addendum to the Safety Statement with Risk Assessment was adopted, which presented the risk assessment of employees at workplaces at a time of increased risk of SARS-CoV-2 infection. The Company made it possible for employees working in jobs where physical presence at the workplace is not strictly necessary to work from home. It regularly informed employees of the Company's protective measures and encouraged them to comply with them, provided appropriate protective equipment and ensured that surfaces and premises were regularly disinfected. As soon as possible, the Company took steps to organise SARS-CoV-2 vaccination for all employees who wished to be vaccinated.

In 2021, the Company provided regular targeted periodic health checks for employees, as identified in the health part of the occupational risk assessment, as part of the Company's preventive health measures. In addition, it organised vaccination of its employees against influenza and tick-borne encephalitis.

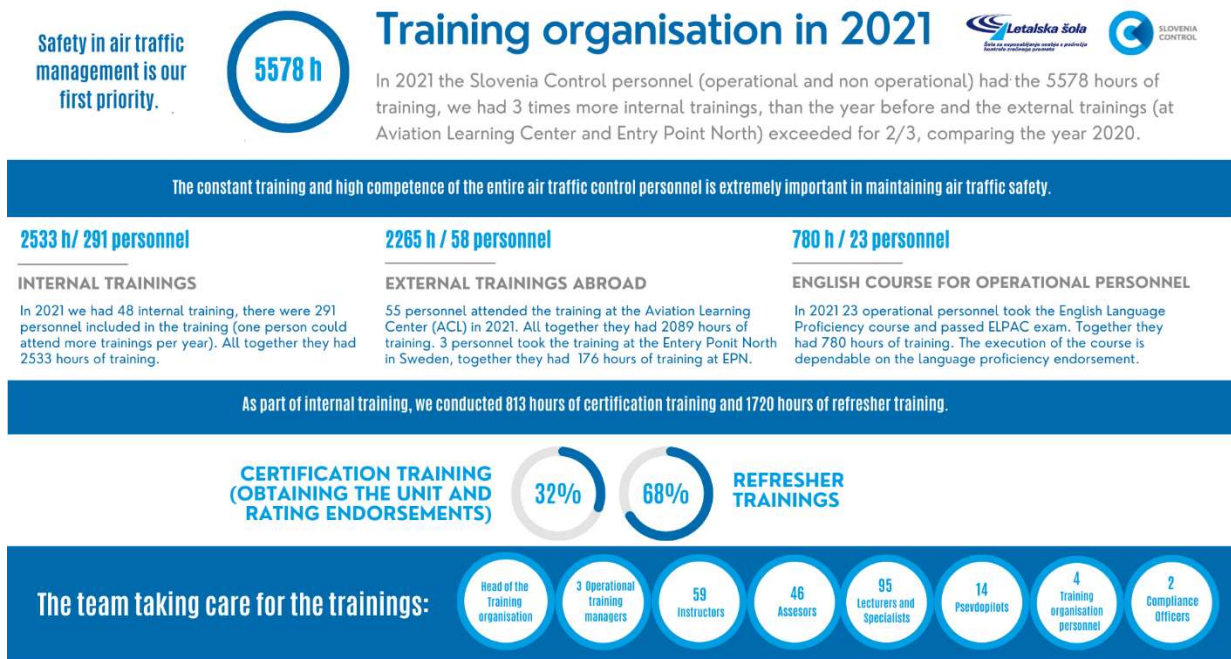
As far as possible, the Health Group continued its activities in line with the adopted Occupational Health Promotion Strategy. The attention was paid to a healthy and balanced diet, general physical activity and exercise in the work environment, prevention of work-related injuries, particularly in terms of ergonomic measures in the workplace, mental health care, prevention and management of stress, and awareness-raising and prevention of mobbing in the workplace. The Company also encouraged employees to take care of their health by publishing various health-related articles and tips on the Company's portal.

3.5 TRAINING AND COMPETENCE OF ANS OPERATIONAL STAFF

The provision of air traffic management (ATM)/air navigation services (ANS), i.e., air navigation services, under any level of demand in the airspace, requires highly qualified operational staff in air traffic services (ATS), communication, navigation and surveillance services (CNS) - i.e., staff who is responsible for air traffic safety (ATSEP), and aeronautical information services (AIS) - i.e., staff who is responsible for aeronautical information management (AIM). This is a highly specific qualification of the Company's operational staff, which can be comparable to that of the general labour market only in rare and generalised occasions. The specialised nature of the skills of the Company's operational staff is all the more important and demanding in view of the constant technological developments 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 staff is unique to such an extent that this specific competence is not directly available on the national labour market. This means that the Company's Operational Personnel Training Service – the Flight School must train staff appropriately to actually achieve operational status with the appropriate authorisation. After that, their competence must be maintained at the appropriate high level required and demonstrated in order to maintain the authorisation to carry out operational work and tasks.

The COVID-19 epidemic in 2021 had a significant negative impact on the training and competence maintenance processes of the Company's operational staff. In order to achieve the Company's training objectives and, in particular, to ensure that the credentials of the Company's operational staff remained valid, the Operational Personnel Training Service – the Flight School took all the necessary measures to mitigate the negative impact of the COVID-19 epidemic. As a result, a total of 5,578 hours of training were conducted in 2021, including 2,533 hours of in-house training for 291 operational staff, 2,265 hours of overseas training for 58 persons and 780 hours of English language training for 23 air traffic controllers.

Figure 6: Flight School activities in 2021



Despite the highly negative impact of the epidemic, the Operational Personnel Training Service – the Flight School pursued its core mission of training operational staff in 2021 and delivered the following training programmes and activities to meet the needs of all three operational departments (ATS, CNS/ATM and AIS):

The following training courses were conducted for the Air Traffic Services Department (ATS):

1. training to obtain unit endorsement (LJLA) for the Area Control Surveillance (ACS) rating for three (3) candidates;
2. training for the first air traffic controllers for the LJCE unit endorsement (holders of ADI/TWR and APP ratings with a valid second unit endorsement, as well as an ADV rating with a valid endorsement) for three (3) candidates;

3. training for air traffic controllers for the LJCE unit endorsement of the ADI/TWR and APP ratings (holders of a valid LJCE unit endorsement of the LJCE ADV rating) for three (3) candidates;
4. theoretical training to obtain authorisation for a shift supervisor (HUM SUP) for fourteen (14) candidates;
5. practical training for a shift supervisor in an area control centre (HUM - SUP) for ten (10) candidates;
6. training to become a Chartered Certified Assessor (HUM CCA) for one (1) candidate;
7. continuing training for air traffic controllers:
 - theoretical refreshment training for TWR Cerklje controllers for seven (7) candidates,
 - theoretical refreshment training for TWR Portorož controllers for ten (10) candidates,
 - Theoretical refreshment training for TWR Maribor controllers for eleven (11) candidates,
 - Theoretical refreshment training for TWR Brnik controllers for twenty (20) candidates,
 - theoretical refreshment training for Ljubljana ACC controllers for sixty-five (65) candidates.
8. training for the renewal of the FIS endorsement for one (1) candidate;
9. theoretical refreshment training and competency assessment for the FDT endorsement for fourteen (14) candidates;
10. refreshment training course in practical teaching skills for OJTI and STDI (HUM-OJTI-R) for six (6) candidates;
11. refreshment course for assessor rating (HUM CCA R) for six (6) candidates;
12. pseudo-pilot refreshment training for fourteen (14) candidates;
13. intensive course in General and Aviation English for air traffic controllers for twenty-three (23) candidates;
14. theoretical training course for teachers (HUM TTI) for six (6) candidates.

The following training courses were conducted for the Communications, Navigation and Surveillance/ATM Systems Department (CNS/ATM):

1. ATSEP type rating training for VCR systems and equipment for four (4) candidates.
2. ATSEP refreshment training and competency assessment:
 - for the NDB 436 endorsement for two (2) candidates,
 - for the ILS 420 endorsement for five (5) candidates,
 - for the ALBATROSS endorsement for three (3) candidates,
 - for the RS 4200 endorsement for five (5) candidates,
 - for the STAR 2000 endorsement for four (4) candidates,
 - for the Marker 413 endorsement for four (4) candidates,
 - for the AMHS endorsement for three (3) candidates,
 - for the RCSE endorsement for four (4) candidates,
 - for the LAN/WAN endorsement for three (3) candidates,
 - for the SGW endorsement for four (4) candidates,
 - for the AIXM endorsement for four (4) candidates.
3. ATSEP qualification training for the renewal of the NDB SA 100 endorsement for two (2) candidates.
4. training for ATSEP qualified Staff Training Instructor and Technical Skills Assessor for two (2) candidates.
5. Basic training for Air Traffic Safety Electronics Personnel (ATSEP Basic) for one (1) candidate.
6. The general part of the qualification training for Air Traffic Safety Electronics Personnel (ATSEP Shared) for one (1) candidate.
7. Local induction to ATSEP training for one (1) candidate.
8. ATSEP equivalent qualification training in Energetics (ENR) for one (1) candidate.

The following training sessions were conducted for the needs of the Aeronautical Information Services Department (AIS):

1. Refreshment training and competency assessment for twenty (20) candidates holding NOTAM endorsements in the aeronautical data management.
2. Refreshment training and competency assessment of ARO endorsement holders in the aeronautical data management for fifteen (15) candidates.
3. Refreshment training and assessment of the competence of COMM endorsement holders in the aeronautical data management for twelve (12) candidates.

For the needs of the Slovenian Armed Forces, more specifically the Airspace Control Centre of the 15th Military Aviation Regiment, training was provided in the subjects of Air Traffic Management (ATM) and Equipment and Systems (EQPS).

A familiarisation training on the system documents of the Operational Personnel Training Service - Flight School, was carried out for the Flight School (6 persons). The training included presentation of new developments and updates.

In 2021, the following training courses (some of them online) were delivered at the Institute of Air Navigation Services (IANS) or, as it has been renamed, the EUROCONTROL Aviation Learning Centre (ALC):

- APT-ACDM-INTRO for one (1) candidate,
- ASM-CAP for two (2) candidates,
- ASM-STRAT for one (1) candidate,
- ASM-ATFCM for two (2) candidates,
- ATC-R-TCAS for one (1) candidate,
- ATC-UNIINC for three (3) candidates,
- APT-ATFCM for three (3) candidates,
- GEM-ATM-INTRO for three (3) candidates,
- HUM-FAT-ATC for two (2) candidates,
- HUM-FAT-MGT for two (2) candidates,
- HUM-STRESS for one (1) candidate,
- HUM-SFM for one (1) candidate,
- HUM-EM for two (2) candidates,
- LEX-ORG-V for three (3) candidates,
- LEX-SES for four (4) candidates,
- LEX-AUDIT-1 for one (1) candidate,
- LEX-COMP-ATCO-V for one (1) candidate,
- NMO-FMP-1 for three (3) candidates,
- NMO-FMP-2-V for six (6) candidates,
- IM-REG for two (2) candidates,
- IM-AIXM-1 for two (2) candidates,
- IM-AIDE for two (2) candidates,
- IM-AIM for one (1) candidate,
- IM-SWIM for nine (9) candidates,
- NAV-PBN-ACU for one (1) candidate,
- SAF-SAS for one (1) candidate,
- SAF-CHG-MC-1 for two (2) candidates.

3.6 AIR TRAFFIC SAFETY

Air traffic safety management, and the directly related prioritisation of safety as a corporate objective, is of key importance for the ATM business.

The Company's safety management system meets the requirements of Commission Implementing Regulation 2017/373/EU in relation to the implementation of the Single European Sky (SES) programme and the requirements of corresponding Slovenian regulations. On this basis, the Company has been declared as a certified provider of air navigation services in the field of air traffic safety management. The Company's air traffic safety management system meets the target level of maturity for air navigation service providers, which is verified by the continuous monitoring of key indicators by the European Aviation Safety Agency EASA.

The organisational structure of the safety management system consists of the Safety Section, which operates within the CEO's Staff, the Safety Committee and the SMS Group, whose members and other employees have clearly defined roles and responsibilities in relation to air safety. Investigation Committees and the persons responsible for safety assessments are appointed on the basis of decisions taken by the management of the Company.

The number of reports on safety occurrences is stable in the Company, although the COVID-19 epidemic led to a marked decrease in the absolute number of completed reports of occurrences (2021– 2022), as a direct consequence of the decrease in air traffic.

A culture of fairness and its embedding in the Company is given particular attention as it improves the efficiency and quality of reporting processes and the sharing of safety data. This is the only way to ensure that high quality analyses, lessons learned and conclusions are shared with all partners involved in air traffic safety.

A definition of a just culture is stipulated in Regulation (EU) No 376/2014 of the European Parliament and of the Council of 3 April 2014 on the reporting, analysis and monitoring of occurrences in civil aviation, amending Regulation (EU) No 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) No. 1321/2007 and (EC) No 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) Regulation (EC) No 996/2010, (EU) No 1330/2007 and (EU) No 1330/2007. 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, 21 August 2018, p. 1. 1) (hereafter referred to as: "Commission Regulation 376/2014/EU"). In accordance with this definition, the just culture means a culture whereby operational professional staff and other employees responsible for air traffic safety (i.e. in particular professional staff in the field of the provision of air navigation services - air traffic controllers, technical staff, engineers, pilots, professional staff at aerodromes) are not penalised for actions, omissions of actions or decisions, which are consistent with their competence, and where gross negligence, wilful misconduct or destructive acts are not tolerated.

As part of the Company's safety management system, we strive to achieve the highest possible level of safety culture among all employees, in parallel with the implementation of basic processes to achieve, ensure and improve air traffic safety. The Company's safety management system ensures:

- a reduction in the risk of an aircraft accident, incident or safety occurrence arising from the provision of air navigation services to the lowest reasonable and practicable level;
- the prioritisation in maintaining an acceptable level of safety over commercial, environmental, social and other societal factors in the provision of air navigation services;
- personal awareness of the importance of safety and the responsibilities of all employees in the provision of air navigation services;
- the establishment of the responsibility for safety at all levels of management in order to achieve satisfactory performance of air navigation services through the commitment and cooperation of all employees of the Company;
- a clear and proactive approach to systematic safety management in the provision of air navigation services with a view to continuous improvement;
- the application of principles of the just culture to the processes for reporting and investigating safety occurrences and the associative corrective measures.

In 2021, the ongoing activities in the area of air traffic safety took the form of cooperation with:

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

In the 2021 Business Plan, three operational safety objectives were defined under the objective of air traffic safety to ensure the effectiveness of the safety management system processes and to ensure a high level of individual and organisational safety culture:

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

The implementation of the activities under the operational objectives – i.e., ensuring safety, achieving safety and improving safety - is reflected in the fact that the safety management system met the requirements of Commission Implementing Regulation 2017/373/EU, Single European Sky legislation and national regulations. In addition, the Company's safety management system achieved the target level of safety performance management (EoS_M) for air navigation service providers based on the annual measurement and continuous monitoring of key safety indicators by EASA.

Under the operational objective "Safety Assurance", the following main activities were carried out to achieve the objective:

- Effective implementation of safety management system processes in accordance with the "Operational Safety Management Manual" (SAF-OSMAN);
- Revising existing safety management system documents in line with new regulatory requirements and good practices identified in air traffic safety management;
- training of staff in safety risk management when introducing changes to the Company's functional air traffic management system;
- Participating in and guiding the activities for the development of safety assessments for planned changes to the Company's functional air traffic management system.

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 latest version of Eurocontrol's Risk Analysis Tool (RAT) is used to determine the risk of individual safety occurrences;
- TOKAI (Eurocontrol) is used as an electronic database of safety occurrences.

Safety Promotion is manifested in the following activities, which in 2021, due to the COVID-19 related circumstances, were mostly implemented by using electronic communications:

- Participation in the implementation of activities in the FAB CE project on safety management within the SAF SubC group.
- Participation in Eurocontrol working groups:
 - SAFOPS: Safety of Operations,
 - ST: Safety Team,
 - SMTUG: Safety Tools Users Group.
- Monitoring and implementing ATM safety initiatives at 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 Eurocontrol's ES2 programme.
- Participation in the working bodies of the international organisation CANSO:
 - CESAFA,
 - CESAFA-AB,
 - CANSO/ICAO RASG.

Statistics on occurrences reports are broken down by unit. This makes it possible to detect trends in occurrences to improve the quality of the approach to addressing individual recurring occurrences and mitigating their impact on future operational work. The tables and graphs below show this information.

Table 6: Number of reports completed by Company's organisational units in 2021

Organisational unit	Number of reports
Ljubljana ACC	47
TWR Brnik	44
TWR Maribor	51
TWR Portorož	9
TWR Cerklje ob Krki	22
Communications, Navigation and Surveillance/Air Traffic Management Systems – CNS/ATM	6
Aeronautical Information Department – AIS	3
TOTAL	182

Figure 7: Number of reports filed by organisational unit in 2019 - 2020

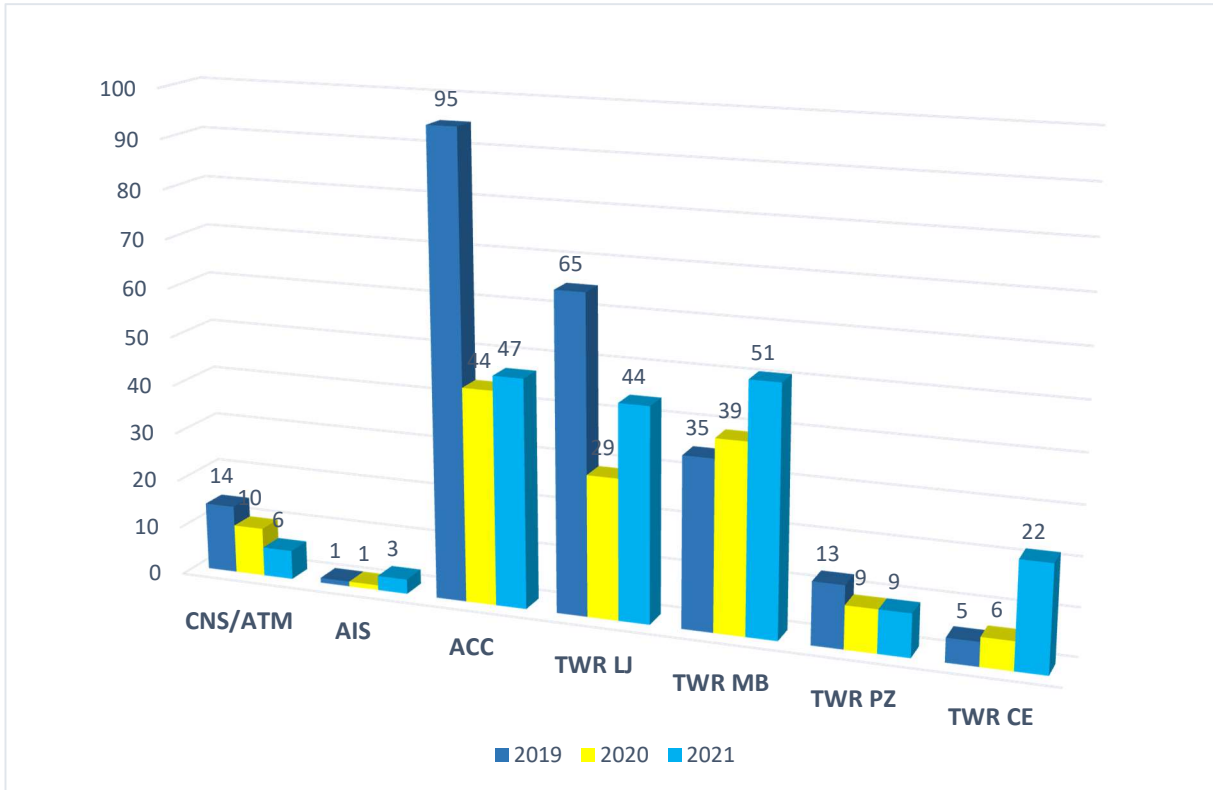


Table 7: Number of reports filed per trend in 2021

Trends		Number
AIUP	Airspace infringement – 376A10b	41
ADAC	Aircraft deviation from ATC clearance – 376A9	6
RI	Runway infringement – 376A7b	2
SMI	Separation minimal infringement – 376A2	3
FCOM	Failure of COM function – 376B3	1
FSUR	Failure of SUR function – 376B4	1
FNAV	Failure of NAV function – 376B6	3
BS	Bird strike - 376A5a	19
LI	Laser Illumination - 376C3d	8

Figure 8: Number of reports per trend in 2021

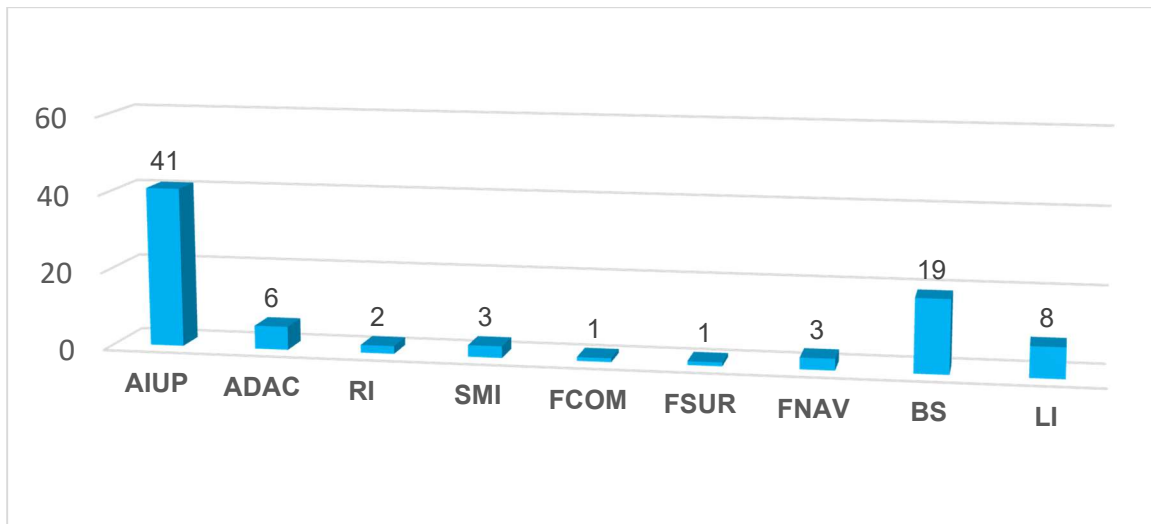
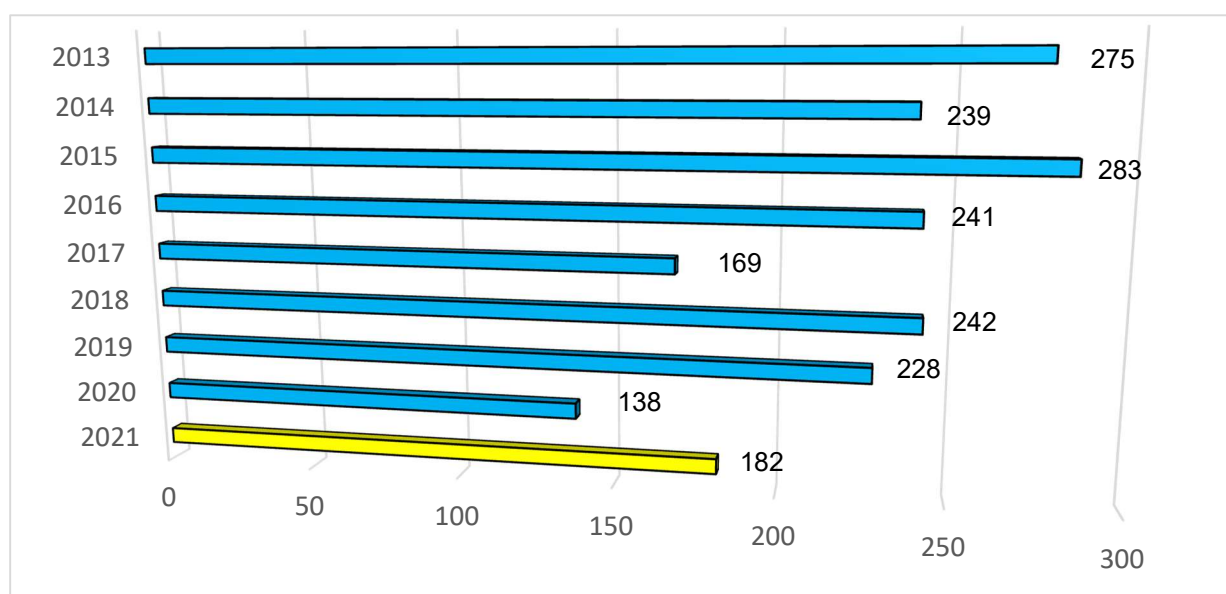


Table 8: Reporting statistics for the 2013 – 2021 period

Organisational unit	2021	2020	2019	2018	2017	2016	2015	2014	2013
Ljubljana ACC	47	44	95	102	55	83	78	60	82
TWR Brnik	44	29	65	53	40	39	73	55	70
TWR Maribor	51	39	35	35	29	29	55	26	33
TWR Portorož	9	9	13	12	19	28	32	27	28
TWR Cerklje ob Krki	6	6	5	8	5	15	8	11	12
CNS/ATM	6	10	14	27	18	37	30	51	39
AIS	3	1	1	5	3	10	7	9	11
TOTAL	182	138	228	242	169	241	283	239	275

Figure 9: Reports by year

3.7. CONTINUED COMPLIANCE WITH THE REQUIREMENTS FOR THE PROVISION OF AIR NAVIGATION SERVICES

In 2021, the Company demonstrated compliance with the requirements for the provision of air traffic management (ATM)/air navigation services (ANS), i.e., air navigation services as set out in the European legal framework of the Single European Sky and in particular Commission Implementing Regulation 2017/373/EU, which lays down these common European requirements for air navigation service providers. It also complied, with other equivalent and subordinate international and national binding acts. For all non-compliances, which were identified during the ongoing controls and inspections, carried out by the national supervisory authority, the Civil Aviation Agency of the Republic of Slovenia (CAA), analyses of the cause of the occurrence of the non-compliance or non-conformities were carried out. On the basis of these analyses, all corrective actions were formulated and implemented, including the elimination of the cause of the non-compliance and thus the prevention of the recurrence of the same non-compliance. The very nature, content, scope and detail of the common requirements for an air traffic management (ATM)/air navigation service (ANS) provider, dictate that the Company should strengthen its internal process for monitoring compliance with these requirements. Therefore, since 2019, the Certification, Project Management and Operational Training Department had planned appropriate organisational activities and intensive training courses for employees. These activities are necessary to intensify the implementation of the internal compliance monitoring process. The COVID-19 epidemic had made the implementation of the planned training activities at the IANS Air Navigation Services Institute within Eurocontrol in Luxembourg completely impossible in 2020 and 2021. This department was therefore forced to resort to an internal reorganisation and to start an alternative training mode for compliance monitoring purposes in 2021. While this alternative training method provided slightly more available working time in 2021 to carry out the internal compliance monitoring process, as regards compliance monitoring, the newcomers' level of competence obtained by the alternative mode cannot replace the competence that would have been achieved through the training at IANS. The originally planned IANS training will therefore be urgently needed in 2022. The internal compliance process and the external audits by the national supervisory authority

established initial compliance with the requirements of Commission Implementing Regulation 2020/469/EU in 2021. By ensuring compliance with the merit requirements, the Company maintained the validity of the (existing) Certificate No. 37290-2/2020/1 of 23 December 2020 for the provision of air traffic management (ATM)/air navigation services (ANS) and, within that, 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 2021, a new operational environment for the Cerklje Aerodrome Control was established at the Cerklje ob Krki Military Airport. This required system adjustments to be made by the Company. These include improvements in airspace organisation for the operation of the Cerklje airport, aviation instrument procedures for the needs of this airport, the provision of air traffic services within the framework of the Aerodrome Air Traffic Control at this airport, the training of air traffic controllers for the needs of the new operational environment of this airport (for this purpose, the Training Organisation Certificate No. 60404-1/2021/2 of 26 February 2021 was updated accordingly), the management and publication of information relevant to the users of this airport in the updated operational environment and the accompanying process and procedural adjustments dictated by the establishment of this new operational environment for the provision of air traffic services at this airport.

In mid-2021, the Company submitted an application to the Civil Aviation Agency of the Republic of Slovenia to obtain a certificate of an air navigation service provider for the provision of flight procedure design services, as provided for in Commission Implementing Regulation 2017/373/EU. During the certification process, the following activities were carried out: preparation of statements of compliance with specific parts of the requirements in the field, the coordination and execution of the Agency's certification inspections, the development and the extension of procedures, the improvements and updates and the creation of supporting documentation, the communication with the Agency for the purpose of informing it about the implementation of activities to demonstrate compliance with relevant international and national requirements or regulations in the field of the provision of flight procedure design services. The certification process was not completed in 2021, however. The certification activities identified a number of shortcomings that required these activities to be continued in 2022 in order to achieve the integrity in the demonstration of compliance with the requirements relating to the flight procedure design.

3.8 QUALITY

As regards the ISO 9001 quality management system, the dynamics of the activities slightly changed in the past year due to the COVID-19 pandemic. Although the internal audit process was adjusted according to the availability of staff and the situation in the Company, the audit was carried out as planned. The internal audit was carried out at the Company's headquarters and at the following sites: TWR Maribor, TWR Portorož, TWR Cerklje ob Krki and TWR Brnik.

The external ISO 9001 recertification audit was carried out as planned in January 2022 in agreement with Bureau Veritas Certification. Based on the successful completion of the recertification audit, the validity of the certificate was extended until 18 January 2025.

In 2021, the Company continued its activities related to the management of the documentation management system. The project is of a large scale and concerns activities across the whole Company. The group, which was set up to renew the documentation management system, met regularly via e-application.

The Company takes preventive and corrective action related to its quality management system. A risk management system is in place, which regularly reviews and updates identified risks. These are reported in more detail in the chapter on risk management. Weekly meetings are held at the management level to monitor the Company's day-to-day operations and any changes relevant to the Company's operations.

3.9 SECURITY

In 2021, as in 2020, one part of the activities in the area of security was focused on the implementation of measures to prevent the spread of SARS-CoV-2 infection within the Company and, consequently, to ensure the continuity of the Company's operations and its essential services. Notwithstanding the above, objectives were achieved in the areas of civil aviation security, critical infrastructure protection, fire safety, defence planning, protection of classified information and the cooperation in information security.

As regards civil aviation security, the Company carried out 13 internal controls in the field of physical and technical security and security culture in 2021, in accordance with the Annual Security System Quality Control Plan for 2021 and the National Aviation Security Programme of the Republic of Slovenia. Through

internal audits, the Company ensures the effective and efficient performance of tasks in civil aviation security to prevent unlawful interferences and minimise possible deviations from established standards, practices and procedures. In November 2021, a quality control audit of civil aviation security was carried out by the Civil Aviation Agency of the Republic of Slovenia, which did not identify any material deficiencies.

In accordance with Article 24 of the Critical Infrastructure Act (Official Gazette of the Republic of Slovenia, No. 75/17 and 189/21 - ZDU-1M) (hereinafter referred to as: "the Critical Infrastructure Act"), the Company prepared an annual report of the critical infrastructure manager on ensuring the continuous operation of critical infrastructure for the previous year – 2020. The Company submitted this report to the Ministry of Infrastructure, the responsible authority of this sector.

As regards defence planning, the records of deployed personnel and other documents related to defence planning were regularly updated. This also included the national crisis response measures and NATO Crisis Response Measures (NCSRM).

In the area of classified information, regular internal monitoring of the implementation of the Classified Information Act (Official Gazette of the Republic of Slovenia, Nos. 50/06, 9/10, 60/11 and 8/20) and the Internal Rules on the Protection of Classified Information was carried out. In this context, the Company started to implement measures to ensure its capacity to handle classified information in the Company's information and communication systems. Its capacity is planned to be in place in the first half of 2022.

Based on the data obtained from the security risk assessment provided to the Company by the Ministry of the Interior, a revision of the Security Plans was prepared in the area of physical security. Throughout the year, the Company ensured an adequate level of knowledge of the staff of the physical security provider, and as a consequence, individual physical and fire security procedures were updated and improved, the training of security staff in the use of technical means was carried out their competence and knowledge of procedures was verified. The technical security system was upgraded with individual solutions to make the system more efficient and to facilitate the identification of potential deviations from the order of the protected area or other loss events.

In cooperation with the IT Department, a wireless circuit (RF circuit) to critical locations was completed to serve the data transmission needs of the UNMS system, the technical security system, business informatics or, in certain cases, as a potential redundant communication path for the transmission of operational data.

In the area of fire safety, two planned investments at the Brnik Airport control tower site were implemented. The fire detection system was upgraded and the security lighting was renovated. At the same time, the Company set up a remote control system for the operation of the security lighting at the Brnik, Maribor and Portorož sites. Regular inspections of active fire protection systems and other assets were carried out. Refreshment fire protection training for employees and additional training for extinguishing incipient fires and evacuation were also carried out.

3.10 IT

In addition to security priorities, the IT Department's ongoing strategic focus is to improve operations and equip employees with solutions that ensure compliance with legal requirements on the one hand, and contribute to productivity on the other. As an electronic support to the Company's business, new electronic process flows and solutions are constantly being introduced, while at the same time the highest possible level of resilience to events and failures of IT assets is being insured, including the building blocks on which they depend. The central theme of 2021 was certainly marked by teleworking on a scale that has turned from a temporary measure to a permanent reality for a large number of 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 to be able to meet all the needs of the employees prior this event. For this purpose, a secure remote virtual environment was provided for employees who do not have their own workstations/laptops, similar to the Supervisory Board's electronic operation. The Company will continue to invest in such access models in the future, as more and more processes are digitised through process systems, forms and digital certificates, and the need to digitise these processes extends beyond the organisation to external stakeholders (Ministry of the Interior, Ministry of Defence).

In 2021, the Company further accelerated the digitisation of its business and processes in the IT area. In addition to the electronic operation set up for the Supervisory Board, the Company adapted its internal ordering and form filling procedures to make the validation process transparent, yet remotely possible.

This is also the strategic orientation of IT, which, with modern IT resources and connections, is no longer bound by the strict physical presence of users, but is able to carry out at least part of its duties electronically and remotely, and above all without the impact of business absences on processes where decisions or validations are made in short timeframes. In this context, the following solutions were set up: the digitisation of incoming mail (PosITA) or remote mail room, the "nextcloud" instance for the digital secure exchange of documentation with external stakeholders, the collaboration and video conferencing systems (MS Teams, Webex), the provision of multimedia equipment in two key meeting rooms, and the provision of key IT resources in continuous operation mode. The IT certainly provided the appropriate platforms for most of the office work, and where the processes could be optimised, new solutions were sought for, such as commissioning the development of a digital signature system.

In view of the responsible management of equipment life cycles and the level of obsolescence of some IT assets, the Company consolidated its equipment in line with technological developments and innovations, and had replaced a significant amount of obsolete hardware that had been used up effectively in its life cycle. The effects of these replacements are threefold. Firstly, they respond to the challenges of the growing need for integration within the region and the FAB CE; secondly, they provide additional security systems against cyber-attacks; thirdly, they represent the consolidation of several pieces of equipment into one, thus optimising the costs of maintaining and managing these assets. The consolidation and replacement of obsolete assets will also continue in 2022.

In the area of connectivity and IT asset interoperability at major sites, cost and performance optimisation were carried out and an additional level of reliability was ensured using mobile technologies. As a solution which is independent from telecommunication providers in terms of finance and implementation, a plan was put in place in collaboration with the security staff which aims to introduce a wireless microwave network between critical facilities to ensure connectivity and adequate bandwidth for all clients within the Company. It was partially implemented in the 2017-2019 period, however, due to certain migrations of control system, the remaining tasks were implemented in 2021. The system is being expanded according to actual needs.

3.11 CYBER SECURITY

As the Company moved to teleworking on 13 March 2020, in the first quarter of 2020, a large part of the activities, which were carried out in cooperation with the IT department, was dedicated to the verification of the teleworking capabilities and security settings related to the teleworking capabilities, despite the fact that at all times the Company ensures an adequate level of security of the networks or accesses to the networks and applications for work. In 2021, these activities and the way of working continued. Due to the increased incidence of certain forms of cyber-attacks, additional security measures or mechanisms were activated during the year. This proved to be a good strategic decision, as the potential exposure of the Company and the number of attempted attacks from the Internet was practically eliminated. This measure also exposed and prevented the automated collection of user login accounts and data by the cloud giant Microsoft, which was routing users through its mobile applications (Outlook) via its cloud services as an intermediary.

In 2021, the Company continued to set up a cyber security centre. Following the organisational set-up of the Cybersecurity Department at the end of 2019, the Company implemented certain new technical solutions in 2020 and 2021, notwithstanding the constraints related to the COVID-19 epidemic, which led to a limited investment scope. At the same time, the process for optimising various tools for detecting cyber incidents was ongoing, and was done in cooperation with external contractual partners. The Company gradually started to equip the dedicated premises for SOC, and wiring was set up for workstations and other hardware. The Cybersecurity Department prepares and implements measures at the strategic level to ensure not only security but also cyber resilience to incidents. In certain segments of the Company's operation, this is already ensured in the context of business continuity, while elsewhere it is being implemented. From a cyber security perspective, the Company successfully detected and mitigated some minor incidents and notified the competent authorities in accordance with the legislation. However, no major incidents occurred in 2021, as the Company had already carried out a risk assessment in 2020 and consequently took measures to reduce its exposure to external stakeholders.

At the initiative of the Information Security Administration of the Republic of Slovenia (URSIV), the Company participated in the NATO exercise "Cyber Coalition 2020 (CC20)" as a trainee in a national scenario, due to its role as an operator of essential services. The Cyber Security Department was the activity leader in the exercise. As part of the exercise, the Company tested its internal procedures in the event of a cyber incident, familiarised itself with the draft National Cyber Incident Response Plan (NOKI), and collaborated and tested its procedures for cooperation with other stakeholders in the area of cyber

security assurance. As a provider of essential services, the Company reports incidents to the National Cyber Security Response Centre SI-CERT. The exercise also introduced the National Open Source Threat Intelligence and Sharing Platform (MISP) as a potential or future platform for sharing relevant information related to cyber incidents.

3.12 INTERNATIONAL COOPERATION

3.12.1 Functional Airspace Block Central Europe (FAB CE) project

The Company, through its representatives, who together with representatives of the Ministry of Infrastructure represent the Republic of Slovenia in accordance with the European Union Single European Sky regulations, continued to participate actively and successfully in the operation of the Functional Airspace Block Central Europe (FAB CE) project in 2021. The active cooperation between the Company's representatives and the State's representatives had proved to be extremely effective for several years and should continue at the same level in the future.

The implementation and further development of the FAB CE are carried out at the level of air navigation service providers through a common legal entity - FABCE, of which the Company is a company member. Its activities currently include project management, expert advice, procurement and administrative services in support of joint projects of air navigation service providers.

In 2021, the following projects and activities were implemented under FAB CE:

- reconfiguring airspace, with a focus on cross-border sectorisation, and the main objective of increasing airspace capacity;
- implementing the Operational Excellence Programme;
- coordinating the CNS infrastructure planning in FAB CE;
- joint planning and cross-border coordination of surveillance (radar) infrastructure maintenance;
- preparing a contingency programme for the provision of air navigation services in the event of a closure of part of the airspace in the FAB CE;
- the regular annual release of the FAB CE airspace plan;
- the cooperation on the integration of unmanned aerial vehicles into the ATM system.

Some of the above projects are carried out as so-called "some-in" projects, i.e. with the participation of only some of the company members of FABCE, which is in line with the FABCE's Articles of association, of which the Company is a company member.

In 2022, most of the activities listed above will continue, and in particular, as far as possible in the light of the COVID-19 pandemic, activities in line with the AAS (European Airspace Architecture Study) will be intensified. The main objectives are covered by the new edition of the FAB CE Strategy, while the most important strategic projects will be focused on airspace optimisation (through more intensive cross-border cooperation) and on the optimisation of the regional infrastructure.

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

Since the outbreak of the COVID-19 pandemic, FAB CE air navigation service providers had monitored the actual traffic and air traffic forecasts in the FAB CE Member States on a weekly basis. They had also kept each other informed of the safety measures that had to be taken to contain the spread of the COVID-19 pandemic, as well as of the cost-saving measures and adjustments to their work and operational systems that they had been forced to make as a result of the reduction in the number of air operations in Europe.

The pilot procedure No. 4578/2013/MOVE, launched in 2013 by the European Commission, is still ongoing against the Republic of Slovenia and other FAB CE Member States, following the opinion that the FAB CE Member States had not optimised their air navigation services or that they were not efficient as required by the EU Single European Sky rules. The European Commission prepared a comprehensive overhaul of the European Single European Sky legislation (SES2+) in June 2020. SES2+ was under consideration throughout 2021. During the Slovenian Presidency, the Slovenian Presidency led a dialogue between the European Parliament, the Council of the EU and the European Commission, but due to a lack of political will, no consensus on the proposal was reached, and SES2+ will continue to be considered during the French Presidency of the Council of the EU. Given that FABs are no longer mandatory in the SES2+ proposal, it is expected that the European Commission will stop the procedure

once the renewed Single European Sky legislation is adopted, as there will no longer be an appropriate legal basis for it.

In accordance with the FAB CE Agreement and the ANSP Cooperation Agreement, the project permanent structures are actively functioning 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 at the level of the air navigation service providers (the CEO Committee, the Steering Committee and various sub-committees). The Company actively participated in the preparation of the materials and positions of the Republic of Slovenia for the FAB CE Council. In 2020, a representative of the Company chaired the FAB CE Steering Committee and at the national level, the Company provided expert assistance to the Ministry of Infrastructure, which participates in the Legal Committee.

Representatives of the Company are also involved in the Liability Task Force for the establishment of a liability regime at the national level. The Ministry of Infrastructure, in cooperation with representatives of the Company, prepared an initiative for the conclusion of an agreement on liability for damage in the provision of cross-border air navigation services between the Government of the Republic of Slovenia and the Governments of the Republic of Austria, the Republic of Bosnia and Herzegovina, the Czech Republic, the Republic of Croatia, the Republic of Hungary and the Slovak Republic. The initiative was submitted to the Government of the Republic of Slovenia in August 2021. Active negotiations will start in 2022, once all negotiating countries have obtained a negotiating mandate from their governments.

3.12.2 Other cooperation

In June 2020, the European Commission presented a revised proposal for the Regulation of the European Parliament and of the Council on the implementation of the Single European Sky (recast) (SES2+). This proposal radically interferes with individual arrangements in the Republic of Slovenia, which, if adopted as originally proposed, would lead to major changes in Slovenian civil aviation, which is unacceptable for the Republic of Slovenia. The revised SES2+ text proposed by the European Commission was discussed throughout 2021, but due to a lack of political will, the text was not harmonised nor adopted. The Company participated regularly and actively with the State representatives in the preparation of the official positions of the Republic of Slovenia on the proposal of the Regulation in question, as well as in the meetings with other FABs (Inter-FAB meetings involving representatives of all functional airspace blocks), during which Member States' positions on the draft text of each individual article were coordinated. Representatives of the Company, especially during the Slovenian Presidency of the EU Council, actively participated in the preparation of the SES2+ compromise text proposals, both at the national level and within the coordination of the Inter-FAB meetings. The cooperation with the competent Ministry and other FABs in the framework of the Inter-FAB meetings will continue in the future.

The Company continued its participation in the preparation of the important development document Local Single Sky Implementation Plan (LSSIP) and in the preparation of the important reports to Eurocontrol on the ATM Cost Effectiveness Report (ACE Report), as well as in monitoring the development of the SESAR project and the activities of CANSO and ATCA. The Company's representatives also actively participated in the preparation of positions on draft documents prepared by the European Commission and the International Civil Aviation Organisation (ICAO) and, through the Ministry of Infrastructure, forwarded the Company's positions and comments to the proponents of legal and other acts.

The Company is also a member of GATE ONE, which was established at the end of 2013 on the basis of a special Cooperation Agreement on the Creation of the regional ANS Providers Platform (GATE ONE) of Central and Eastern Europe. The signatories of the agreement are the service providers of the three different functional airspace blocks (FAB CE, BALTIC FAB and DANUBE FAB) and two providers that are not yet members of any FAB initiative (M-NAV and SMATSA). The purpose of the association is to express common positions in the European Union, exchange experiences in the field of ATM, pursue common objectives and interests in different areas and cooperate in the creation of the Single European Sky.

3.13 FLEXIBLE USE OF AIRSPACE - FUA

In cooperation 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. In this context, there are agreements on the reservation, use and deployment of airspace for special purposes (Special Use of Airspace - SUA). The ratio between the reserved and used airspace is further improving due to good coordination procedures.

In 2021, due to the COVID-19 pandemic, the Airspace Management Committee of the Republic of Slovenia did not hold its regular annual users' meeting, but continued to work on its strategic objectives. In 2021, a proposal for a new Aviation Act was sent to users for consultation, which, among other things, proposes a new regulatory regime for all three levels of airspace management in the Republic of Slovenia. For the Company, this means new regulations at levels 1 and 2 (strategic and pre-tactical levels) of airspace management in the Republic of Slovenia. The Committee actively cooperates with the Airspace Management Cell (AMC) of the Republic of Slovenia and coordinates all activities on an ongoing basis.

In 2021, the Airspace Management Cell of the Republic of Slovenia successfully participated in the preparation and conduct of the military exercises "Astral Knight 2021", "Adriatic Strike 2021" and "Ramstein Guard 2021". It also participated in the preparation and conduct of the regular SAF military exercise "Airweek", which the SAF conducts as part of its regular training together with NATO troops from the Aviano military base in Italy, and the SAF military exercise "Broken Wing 2021".

The Airspace Management Cell of the Republic of Slovenia continued its cooperation with the Ministry of Infrastructure, the Slovenian Armed Forces and the Civil Aviation Agency of the Republic of Slovenia in finding solutions and possible amendments to the current legislation on the flight of unmanned aerial vehicles (UAVs). The NATO Allied Forces are seeking to obtain permission to overfly the Ljubljana FIR with the Global Hawk (GH) UAV. Unfortunately, the current legislation does not allow them to do so, but possible solutions are being explored.

In 2021, the AMC coordinated views among members through meetings, correspondence or telephone interviews. The AMC proposes to regulate, through the Ministry of Infrastructure, the procedures by which temporary flight restrictions in specific airspace volumes are allocated to specific users.

The Company welcomes the involvement of civil and military stakeholders in the processes of adapted use of airspace in the Republic of Slovenia and will continue to actively cooperate with the Airspace Management Committee of the Republic of Slovenia and the AMC.

3.14 USER CONSULTATION

The Company continuously adapts the provision of air navigation services to the needs of users of these services. Its dynamic involvement in the coordination between civil and military airspace users, and in particular air traffic services relating to the flexible use of air traffic system, should be highlighted.

The Company participates actively and in a coordinated manner in regular, periodic consultations and coordination with commercial airspace users (represented mainly by interest associations) and other providers of air traffic management and related services in the Union-wide (free) route network. In relation to the latter, the consultations and positive reactions of airspace users related to the introduction of a new, larger volume of airspace with free routes through the aforementioned SECSI FRA project stand out in 2021.

Consultations were held with the neighbouring air navigation service providers with a view to enhance the cooperation and expand the SECSI FRA area. The cross-border free route airspace brings an added value in the form of reduced greenhouse gas emissions and lower fuel consumption, which constitutes a major step towards the goal of a zero-carbon society, as well as reduced travel times and thus greater mobility. In terms of the airspace structure, these are broader changes that contribute to a meaningful alignment of the airspace structures of the participating countries, including Slovenia. At the same time, these changes are part of the expected wider changes that follow the objectives of the Single European Sky.

Through the Eurocontrol Working Group (RNDSG), which brings together all European countries, a rationalisation and adjustment of airspace restrictions was carried out together with users in the context of reduced traffic due to the COVID-19 pandemic. The vertical profile restrictions have been adjusted, especially for approaches to the busier airports in our vicinity, such as Munich, Vienna, Split, etc.

The activities related to the preparations for the planned modernisation of the airspace below the level of 245 (FL245) continued. The focus of the discussions was placed on the development of a draft document for the placement of instrument procedures in the airspace, which, in addition to the generally applicable rules (ICAO, EU, Eurocontrol, etc.), also takes into account the characteristics of the geographical configuration and the structure of the airspace users in the Republic of Slovenia. The Company's expert services continued the preparation of the draft approach and departure procedures and the Terminal Management Area (TMA) of Cerklje ob Krki Airport. Guidelines for the implementation of the procedures

were agreed with the neighbouring Republic of Croatia; on the Croatian side for the procedures of the Franjo Tuđman Zagreb Airport, and on the Slovenian side for the Cerklje ob Krki Airport, with the aim of ensuring safe and free-flowing airspace on both sides of the border. As regards the implementation of the approach and departure procedures for Cerklje ob Krki Airport, the Company carried out intensive coordination activities with the Slovenian Armed Forces, as one of the users of its services. The aim of these activities was to implement the remaining instrument procedures and to expand the time and content of the air traffic services within the aerodrome and approach air traffic control at Cerklje ob Krki Airport, with the priority to meet the needs of the air operations of the defence forces.

In the run-up to the summer season, the Company organised lectures on the organisation and use of airspace in the Republic of Slovenia for general aviation users in the form of technical seminars at aviation associations.

In accordance with Commission Implementing Regulation 317/2019/EU and Commission Implementing Regulation 2020/1627/EU, in August 2021, the Company engaged with the Ministry of Infrastructure and the Civil Aviation Agency of the Republic of Slovenia in a consultation process with service users to discuss the new draft Performance Plan 2020-2024 for the Republic of Slovenia. Through its representatives, the Company also participated in the formal consultation process with service users and other stakeholders on national cost bases and unit rates at the regular June and November meetings of the Enlarged Committee for Route Charges of Eurocontrol and the European Commission.

3.15 PUBLIC PROCUREMENT

The Company is a body governed by public law which has been established to carry out an activity of general interest, not having an industrial or commercial character, and to carry out an activity and provide infrastructure for air carriers. The Company is subject to public procurement obligations under the Public Procurement Act (Official Gazette of the Republic of Slovenia, Nos. 91/15, 14/18, 121/21 and 10/22) (hereinafter referred to as: "ZJN-3") in both the general and infrastructure procurement types. This also stems 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).

The Company carried out procedures in accordance with the applicable public procurement legislation in the field of infrastructure for the procurement of goods, services and works directly related to the provision of airport infrastructure and infrastructure in other terminals for air carriers, which is part of the Company's core business, i.e. the provision of air navigation services. For the procurement of goods, services and works not directly related to the core activity of the Company, procedures were carried out in accordance with the general public procurement legislation in force at the time.

The impact of the situation caused by the outbreak of the COVID-19 pandemic also had an impact on the Company's procurement processes in 2021. 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 Republic of Slovenia, Nos. 49/20, 61/20, 152/20 - ZZUOPOP, 175/20 - ZIUOPDVE, 15/21 - ZDUOP and 206/21 - ZDUPŠOP) (hereinafter referred to as: "ZIUZEOP"), and the Act Determining Temporary Measures to Mitigate and Remedy the Consequences of COVID-19 (Official Gazette of the Republic of Slovenia, Nos. 152/20, 175/20 - ZIUOPDVE, 82/21 - ZNB-C, 112/21 - ZNUPZ, 167/21 – Const. Court Decision in 206/21 - ZDUPŠOP) (hereinafter referred to as: "ZZUOOP") interfered with the ZJN-3, with their effect until the end of 2021. In July 2021, the National Assembly of the Republic of Slovenia adopted the Act Amending the Public Procurement Act (ZJN-3B) which entered into force on 1 January 2022. The updated ZJN-3 also incorporates the provisions of the ZIUZEOP and ZZUOOP in the parts where they interfered with the ZJN-3, such as, for example, the increase of the threshold for the application of the law in the general field and the threshold for the application of the small value procurement procedure.

In 2021, 236 procurement procedures were carried out; of these, five (5) were closed without award and 231 were successfully closed, for a total value of EUR 6,419,471.00 excluding VAT.

Of all the procurement procedures carried out:

- 90 procedures with a total value of €897,032.00 excluding VAT were carried out in accordance with the Public Procurement Act in the general field, while two procedures were not awarded (92 procedures in total);
- 141 procedures with a total value of EUR 5,522,439.00 excluding VAT were carried out in accordance with the Public Procurement Act in the infrastructure sector and three procedures ended without awarding a contract (144 procedures in total).

The following tables are based on the records that the Company is obliged to keep in accordance with ZJN-3. The said records contain the data about all contract award procedures of the Company in 2021. Table 9 includes two procedures with a total value of EUR 81,989.04, excluding VAT, under which a contract was awarded for the provision of activity which is considered an exception and not subject to the application of the Public Procurement Act pursuant to Article 27 of the Public Procurement Law (Article 27 of the Public Procurement Act).

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

Public procurement procedures, including simplified procedures, in 2021				
Type	Procedure (volume)	Not awarded	Awarded	Value in EUR
Goods	41	1	40	291,020,00
Construction	0	0	0	0,00
Service, of which:	51	1	50	605,012,00
<i>Intellectual services</i>	11	1	10	205,520,00
<i>Maintenance and repair services</i>	8	0	8	100,279,00
<i>Other services</i>	32	0	32	299,213,00
	92	2	90	89,032,00

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

Public procurement procedures, including simplified procedures, in 2021				
Type	Procedure (volume)	Not awarded	Awarded	Value in EUR
Goods	45	2	43	2,037,001,00
Construction	3	0	3	72,000,00
Service, of which:	96	1	95	3,413,438,00
<i>Intellectual services</i>	9	0	9	99,500,00
<i>Maintenance and repair services</i>	29	1	28	1,632,931,00
<i>Other services</i>	58	0	58	1,681,007,00
	144	3	141	5,522,439,00

4 AIR TRAFFIC DATA FOR 2021

4.1 INTRODUCTION

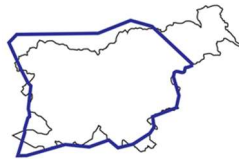
The Company provides air navigation services in the Slovenian airspace (FIR Ljubljana) on behalf of the Republic of Slovenia, in accordance with the Act on the Provision of Air Navigation Services. In addition to the Act on the Provision of Air Navigation Services, the scope of responsibility, under which the Company provides air navigation services, is also defined in the Letters of Agreement entered into by and between Area Control Centres (LoAs); these define the boundaries of responsibility for the provision of airspace services. According to the LoAs, Ljubljana Area Control Centre is thus responsible for the provision of services in airspace other than that of FIR Ljubljana.

Figure 10: FIR Ljubljana



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

Figure 11: Dolsko sector



In the en-route phase, the Ljubljana Area Control Centre is responsible for the provision of air navigation services in the Dolsko sector, which also includes one part of the Austrian, Italian and Croatian airspace, while the Vienna Area Control Centre is responsible for the provision of services in the Mura sector.

Figure 12: Mura Sector



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

Figure 13: Terminal zones in FIR Ljubljana



Number of service units

The service unit price for a single IFR flight that is not exempt from the payment of a fee 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 according to the following formula:

$$\text{The number of en – route service units} = \frac{\text{distance}}{100} \times \left(\frac{\text{MTOW}}{50}\right)^{0,5}$$

The number of service units in the terminal phase ("terminal service units") is calculated according to the following formula:

$$\text{The number of terminal service units} = \left(\frac{\text{MTOW}}{50}\right)^{0,7}$$

where:

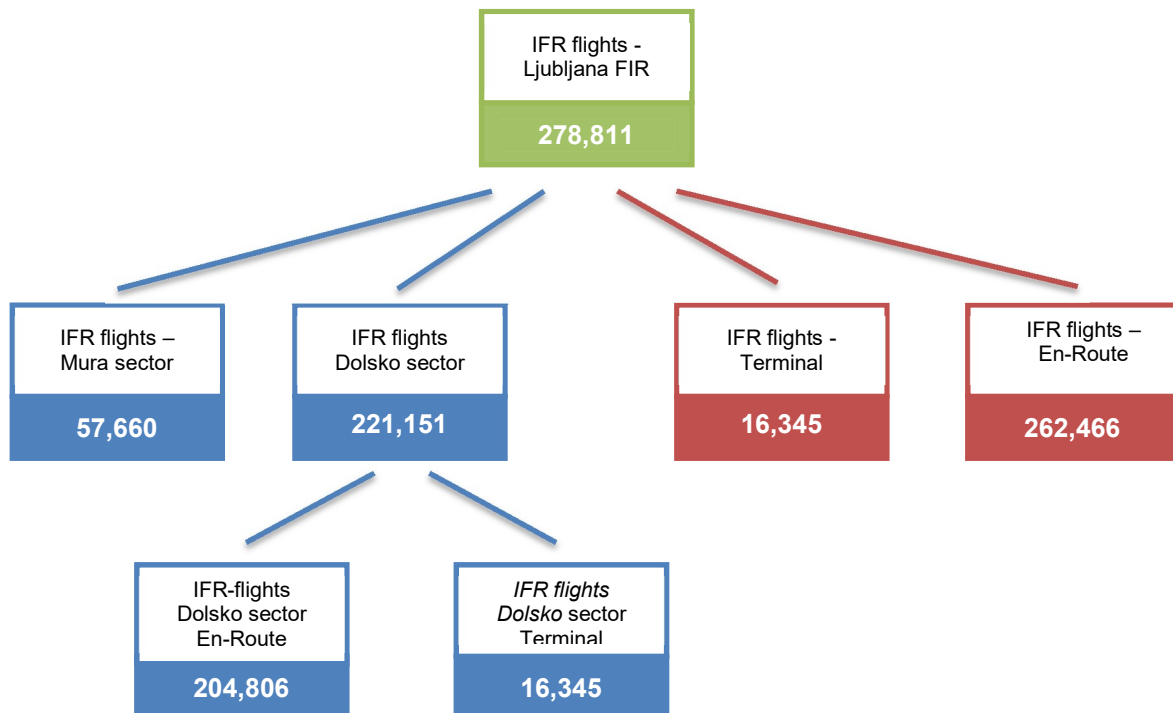
distance: is the shortest distance in kilometres between the entry and exit points of FIR Ljubljana;
 MTOW: is the maximum take-off weight.

4.2 AIR TRAFFIC ANALYSIS

The analysis of air traffic examines the trend in the number of IFR flights and how this trend relates to the number of service units, which, in the en-route and terminal phases, affect the level of the Company's revenue. The sources of the data used in the analysis are the Company's data and Eurocontrol STATFOR and CRCO data.

In 2021, a total of 297,586 flights were recorded in the airspace of the Republic of Slovenia (FIR Ljubljana), of which 18,775 were VFR flights (visual flight rules) and 278,811 were IFR flights (instrument flight rules). IFR flights are divided according to the phase of the flight into either en-route or terminal flights, and according to the part of the airspace in which the flights are conducted. For a better illustration, the diagram in Figure 14 is used to show two different divisions of IFR flights.

Figure 14: Distribution of IFR flights by phase of flight and by airspace

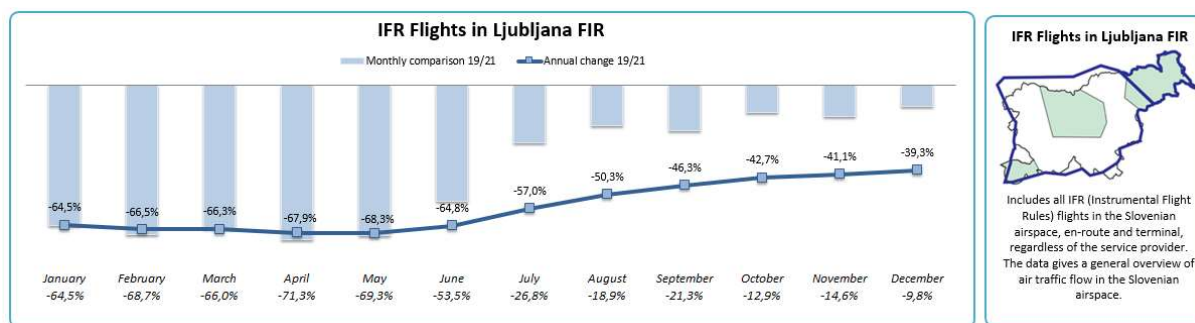


In 2021, despite a gradual recovery, air traffic volumes continued to be negatively affected by the COVID-19 pandemic, which, due to the measures taken by countries to limit the spread of the disease, had an impact on travel opportunities and thus on the demand for air travel. This is reflected in the data on air traffic in Slovenian airspace, both in terms of the number of flights and the number of units of service.

FIR Ljubljana

In 2021, the number of IFR flights in the Republic of Slovenia fell by 39.3% compared to 2019, while at European level the number of IFR flights decreased by 44%. For the sake of comparison, there was a 57.5% drop in the number of IFR flights in the Republic of Slovenia in 2020 compared to 2019.

Figure 15: IFR flights in FIR Ljubljana



Source: Eurocontrol (STATFOR), 2022

Table 11 presents the trend in the number of total IFR flights in the Republic of Slovenia in the period from 2011 to 2021. For comparison, the growth rates of IFR flights in the EU-28 are also presented. The values refer to all IFR flights in the Ljubljana FIR (en-route and terminal phase), regardless of the air navigation service provider and regardless of the phase of flight.

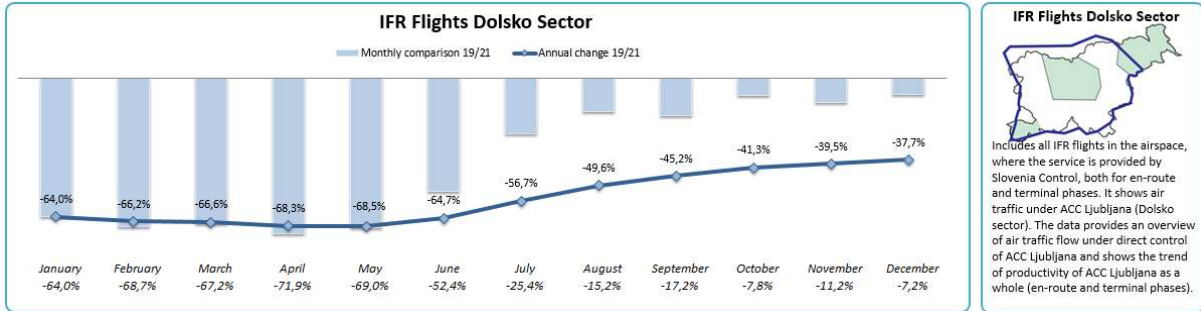
Table 11: Number of IFR flights in the Republic of Slovenia in the 2011 – 2021 period

Year	Number of IFR flights in RS	Growth rate of IFR flights in RS (in percent)	Growth rate of IFR flights in the EU-28 (percentage)
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%
2021	278,811	+42.8%	no comparable data

Dolsko sector

In the Dolsko sector, where the service is provided by the Company through the Ljubljana Area Control Centre (Ljubljana ACC), the number of total IFR flights (en-route and terminal phase) in 2021 decreased by -37.74% compared to 2019.

Figure 16: IFR flights in the Dolsko sector



Source: Eurocontrol (STATFOR), 2022

Table 12 presents the trend in the number of total IFR flights in the Dolsko sector over the period from 2011 to 2021.

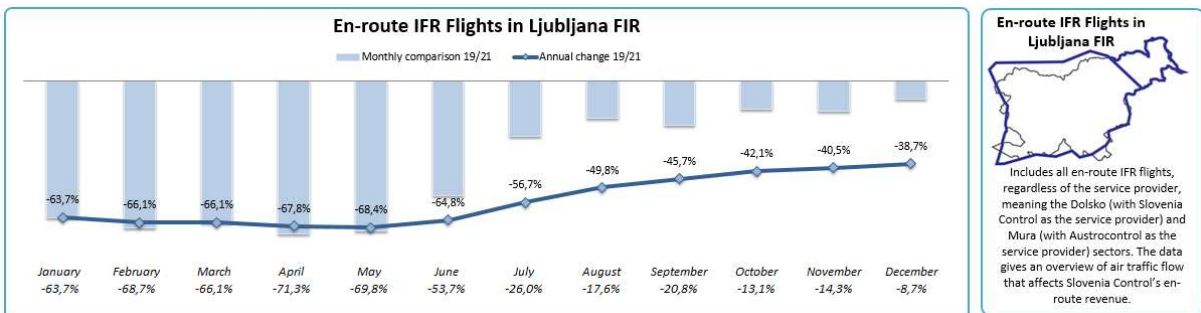
Table 12: Number of total IFR flights in the Dolsko sector in the 2011 – 2021 period

Year	Number of IFR flights in the Dolsko sector	Growth rate (in%)
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%
2021	221.151	+47.0%

4.2.1 En-route traffic

Compared to 2019, the number of en-route IFR flights in 2021 was down by 38.7%.

Figure 17: En-route IFR flights in FIR Ljubljana



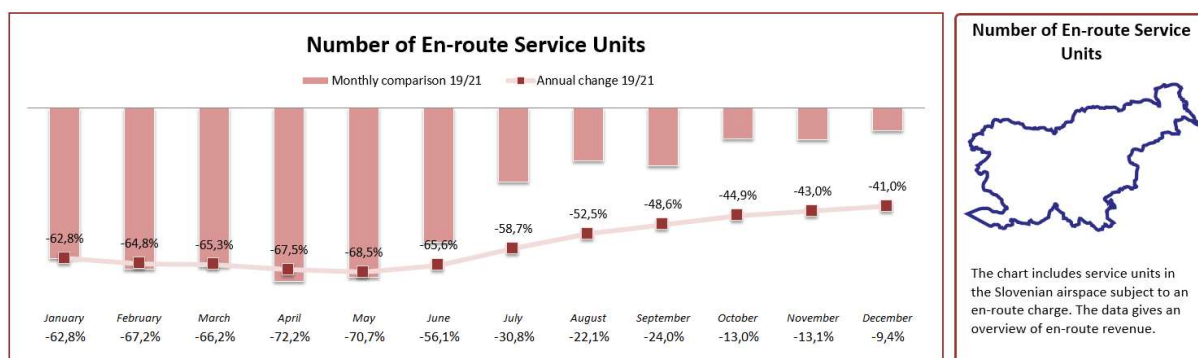
Source: Eurocontrol (STATFOR), 2022

Table 13 presents the trend in the number of IFR flights in the en-route phase in the Ljubljana FIR in the period from 2011 to 2021.

Table 13: Number of en-route IFR flights in FIR Ljubljana in the 2011 – 2021 period

Year	Number of en-route IFR flights in FIR Ljubljana	Growth rate (in%)
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%
2021	262,466	+43.7%

The data on traffic in the Ljubljana FIR in terms of the number of service units also shows an increase compared to 2020, namely by 40.1%, which, however, still represents a 41% decrease in the number of service units compared to 2019. In comparison, the number of service units in 2021 was higher by 1.3% than in 2010, when it amounted to 365,201 service units, or lower by 12.9% than in 2011.

Figure 18: Service units in the en-route phase of FIR Ljubljana

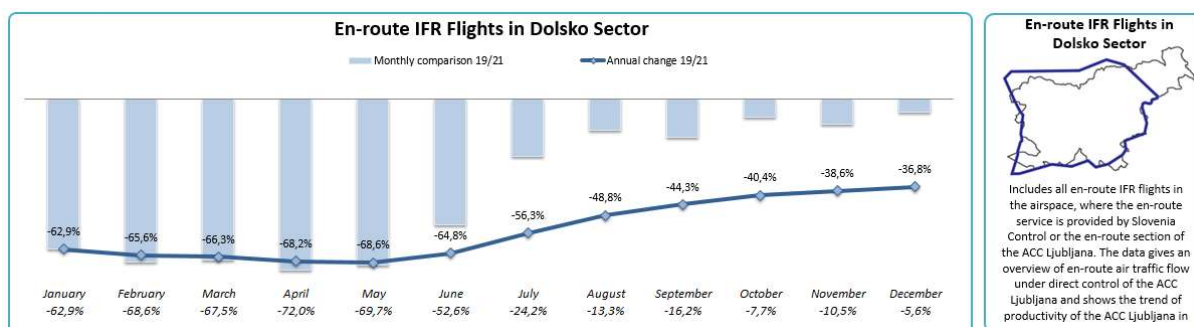
Source: Eurocontrol (CRCO), 2022

Table 14 shows the evolution of the number of service units in the en-route phase over the period from 2011 to 2021.

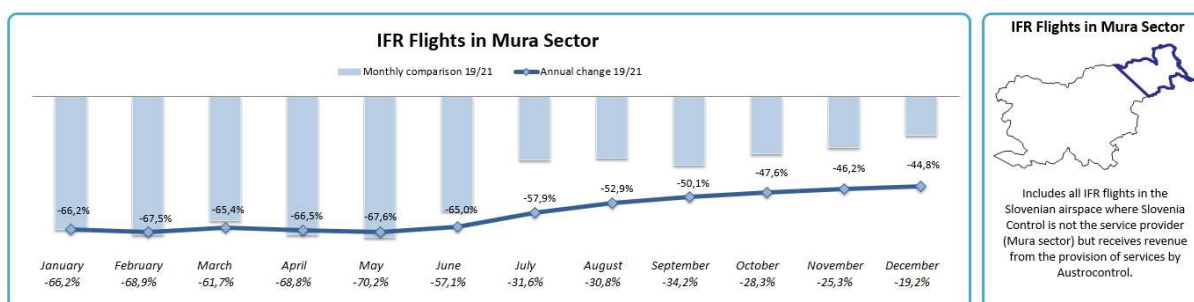
Table 14: Number of en-route service units in the 2011 – 2021 period

Year	Number of service units in the en-route phase	Growth rate (in%)
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%
2021	369,971	+40.1%

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

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

Source: Eurocontrol (STATFOR), 2022

Figure 20: En-route IFR flights in the Mura sector

Source: Eurocontrol (STATFOR), 2022

In 2021, the number of IFR flights in the en-route phase decreased by 36.8% in the Dolsko sector and by 44.8% in the Mura sector compared to 2019. Traffic by number of service units in the Ljubljana FIR was 41% lower in 2021 compared to 2019.

Table 15 shows the trend in the number of IFR flights in the en-route phase in the Dolsko sector and in the Mura sector over the period from 2011 to 2021.

Table 15: Number of en-route IFR flights in the Dolsko sector and in the Mura sector in the 2011 - 2021 period

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%)
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%
2021	204,806	+48.6%	57,660	+28.5%

IFR traffic under the control of the Company

The data below only includes IFR traffic for which the Company was responsible, i.e. it refers to traffic in the Dolsko sector. The data used were obtained from the databases kept by the Company and Eurocontrol (STATFOR).

The Ljubljana Area Control Centre, which provides services in the Dolsko sector, recorded a 37.74% decrease in traffic in 2021 compared to 2019 (an increase of 47.04% compared to 2020). A total of

221,151 flights were operated in the Dolsko sector in 2021, with an average of 606 IFR operations per day (compared to an average of 973 IFR operations per day in 2019). The following milestones were reached in comparison with past achievements (number of IFR operations).

Table 16: Milestones in the number of IFR flights in the Dolsko sector in the 2011 – 2021 period

Year	Maximum values in previous years			
	The highest number of IFR operations per hour was recorded on 31 July 2021, between 11.00 and 12.00 UTC	The highest number of IFR operations per day were recorded on 31 July 2021	The highest number of IFR operations during the week were recorded from 16 Aug 2021 to 22 Aug 2021	The highest number of IFR operations in the year were performed in August 2021
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
2021	102	1,344	8.100	35.561

The Ljubljana Area Control Centre may divide the airspace in which it provides a service into a maximum of five vertical sectors. This prevents overloading 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. This figure is directly related to the human resources available in the Ljubljana Area Control Centre.

In 2021, a total of 13,023 sector hours were recorded. On average, 35.7 sector hours per day were recorded in 2021, representing an increase of 21% compared to the previous year, and -18.5% compared to 2019. In 2021, the Ljubljana Area Control Centre recorded a maximum of 56 sector hours per day in total. All data on the number of sector hours are summarised in the table below.

Table 17: Number of sector hours in the 2011 – 2021 period

Year	Total number of sector hours	Growth rate (in %)	Maximum daily number of sector hours	Growth rate (in%)	Average number of sector hours per day	Growth rate (in%)
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%
2021	13,023	+21.0%	56	+19.1%	35.7	+21.0%

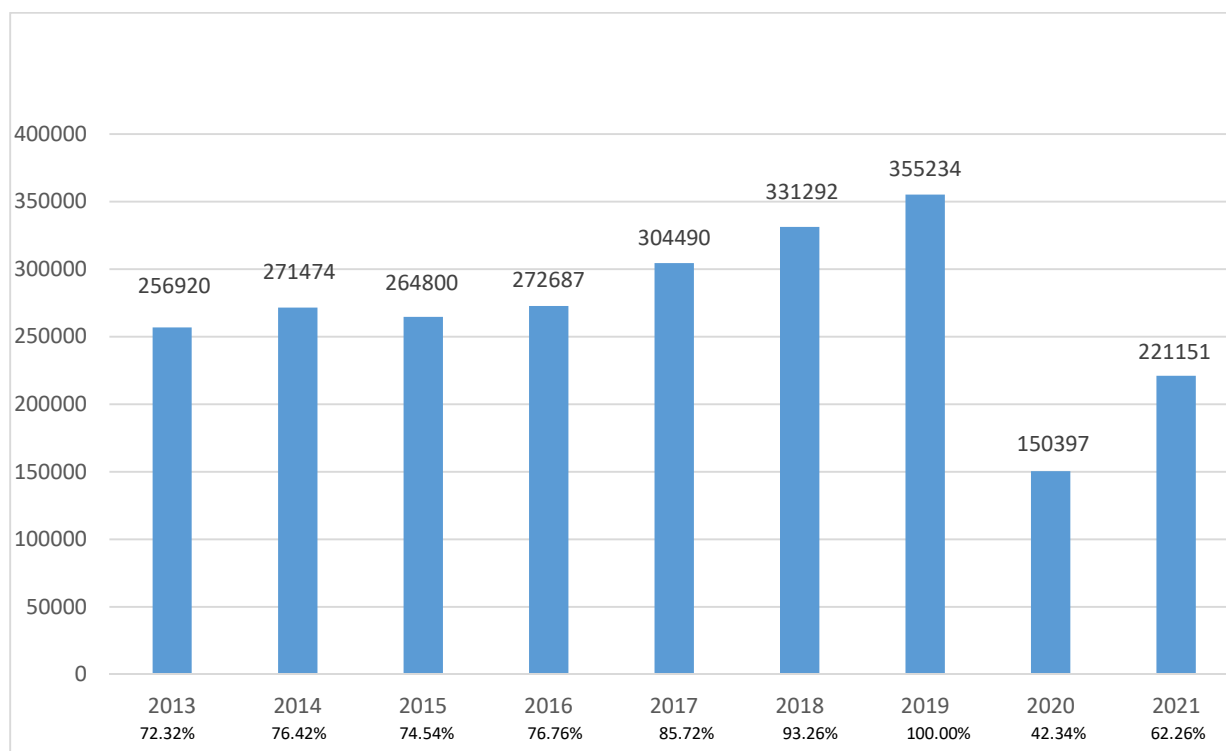
In 2021, the Ljubljana Area Control Centre performed a total of 18,775 VFR operations, which was 29.9% more than in 2020 and the highest ever.

Table 18: Number of VFR flights in the 2011 – 2021 period

Year	Number of VFR flights	Growth rate (in%)
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%
2021	18,775	+29.9%

Forecasts and actual traffic in the Dolsko sector in 2021

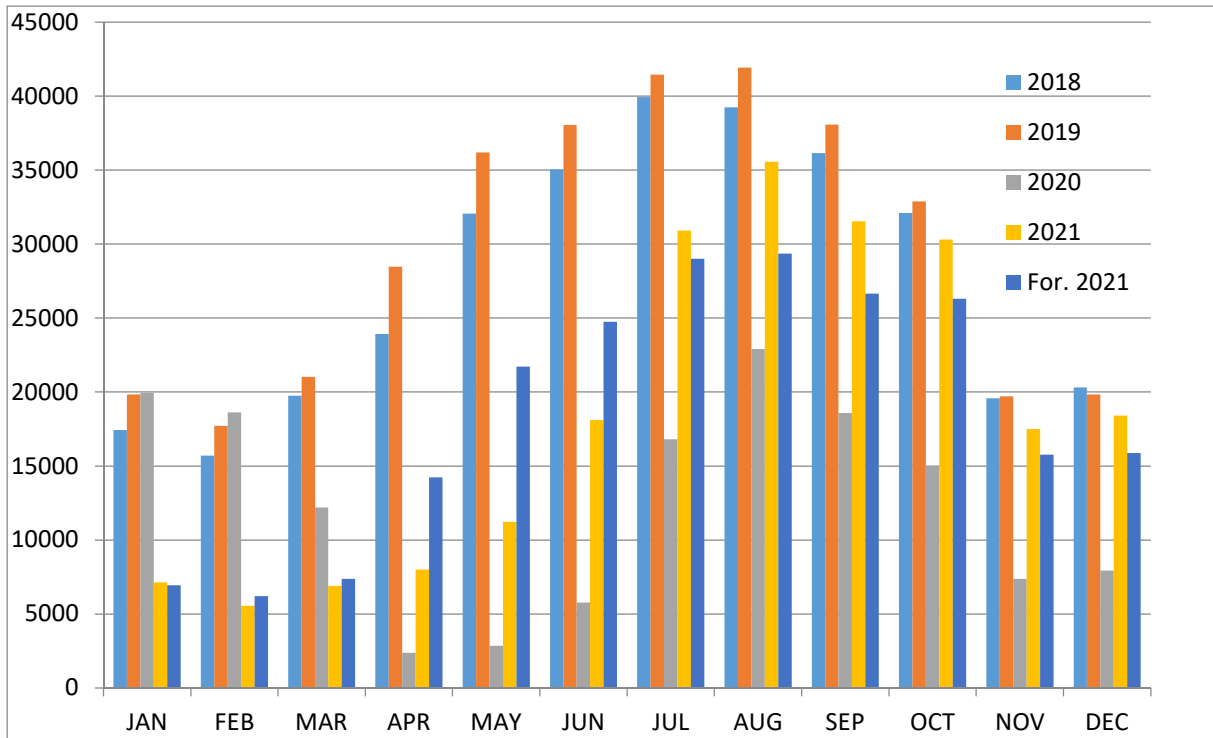
In 2021, the traffic was still far from the 2019 traffic volume. The Company had assumed that 63.11% of the 2019 traffic would be achieved. The actual traffic volume was 62.26%, somewhere around the 2007 level. Compared to 2020, there was an increase of +47.04% in traffic. The main reason for this was the continuation of the COVID-19 pandemic and the related measures at home and worldwide.

Figure 21: Traffic from 2013 to 2021

Source: Company 2022

The comparison in Figure 21 is presented in relation to 2019 which has the value of 100%.

Figure 22: Traffic in 2018, 2019, 2020, forecast for 2021 and actual traffic 2021



Source: Company 2022

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.

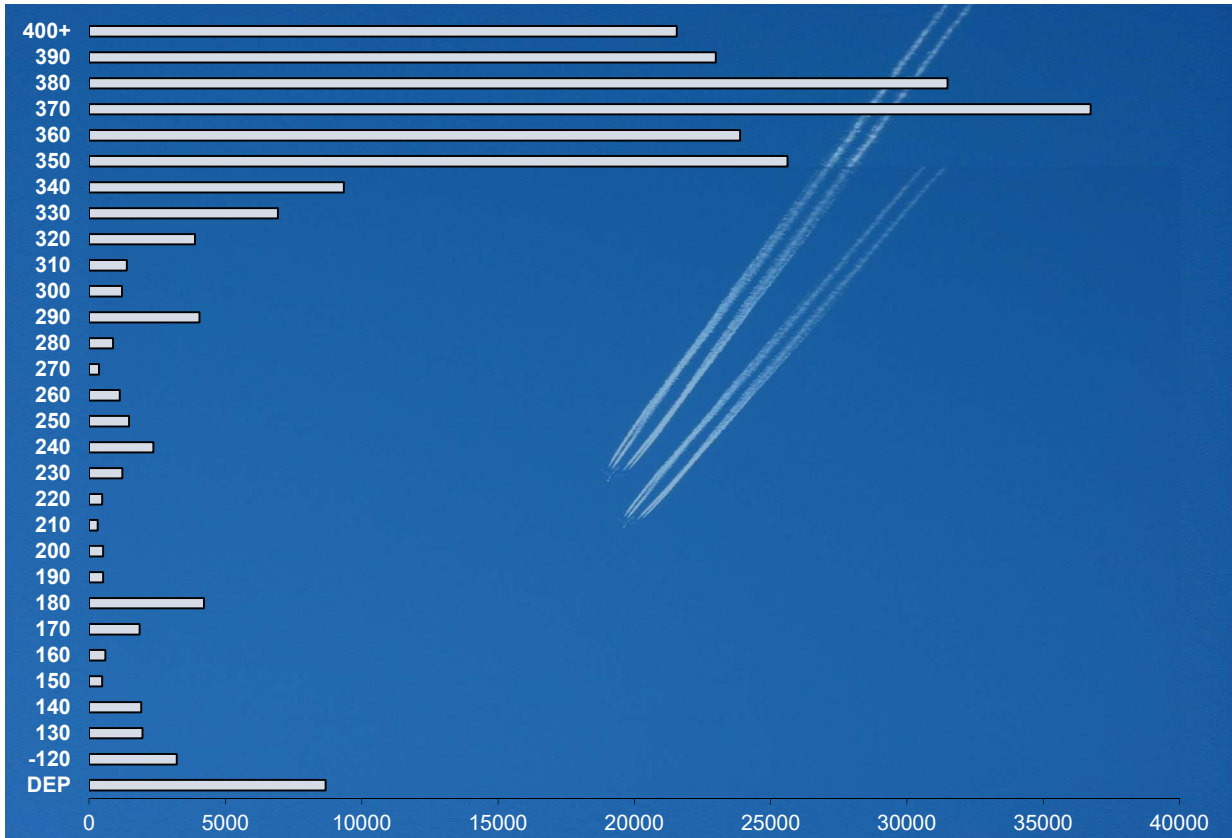
The DEP column (Figure 23) includes all IFR operations started at domestic airports. For the sake of the clarity of the figure, data below FL120 and above FL400 are combined. The altitude distribution of the aircraft is most eloquently illustrated by the fact that 16.61% of all IFR traffic is concentrated at a single flight level (FL370). This figure was slightly lower in previous years (14% tp15%), and in 2020, when there was no "crowding", it was as high as 17.01%, which is a good indication of the proportion of traffic that would use FL370.

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

- Above FL280 85.48% (2020: 83.84%; 2019: 84.04%; 2018: 81.61%; 2017: 80.39%);
- Below FL280 14.52% (2020: 16.16%; 2019: 15.95%; 2018: 18.39%; 2017: 19.61%).

A comparison with previous years shows that the drop in traffic is more pronounced in the lower segment of the airspace.

Figure 23: Traffic by year level in the Dolsko sector in 2021

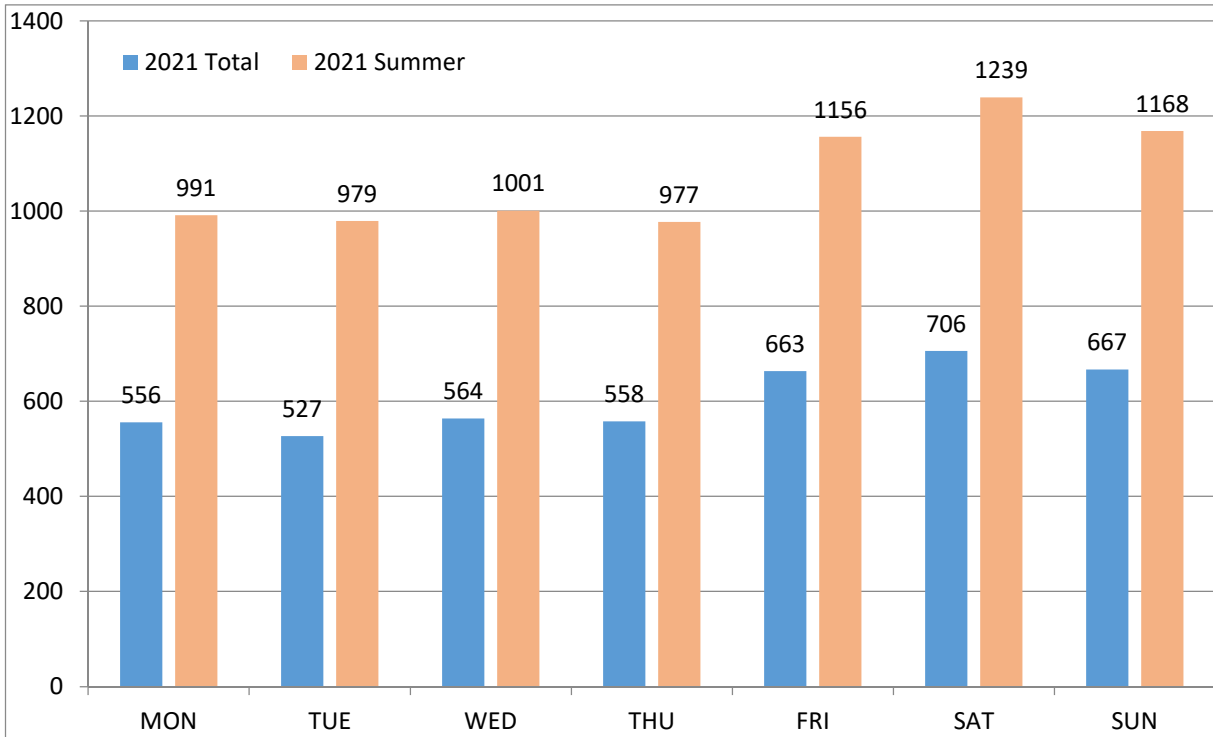


Source: Company 2022

Traffic breakdown by day

The blue bars show the average number of flights for the whole year of 2021. The orange bar shows the distribution of IFR flights in the Dolsko sector by day during the summer season (1 July - 15 September), averaged over 11 weeks, with a minimum of 798 IFR flights per day and a maximum of 1344 flights per day, when the impact of the COVID-19 pandemic was actually the lowest.

Figure 24: Average number of IFR flights in Dolsko sector by day of the week (summer season and year-round)

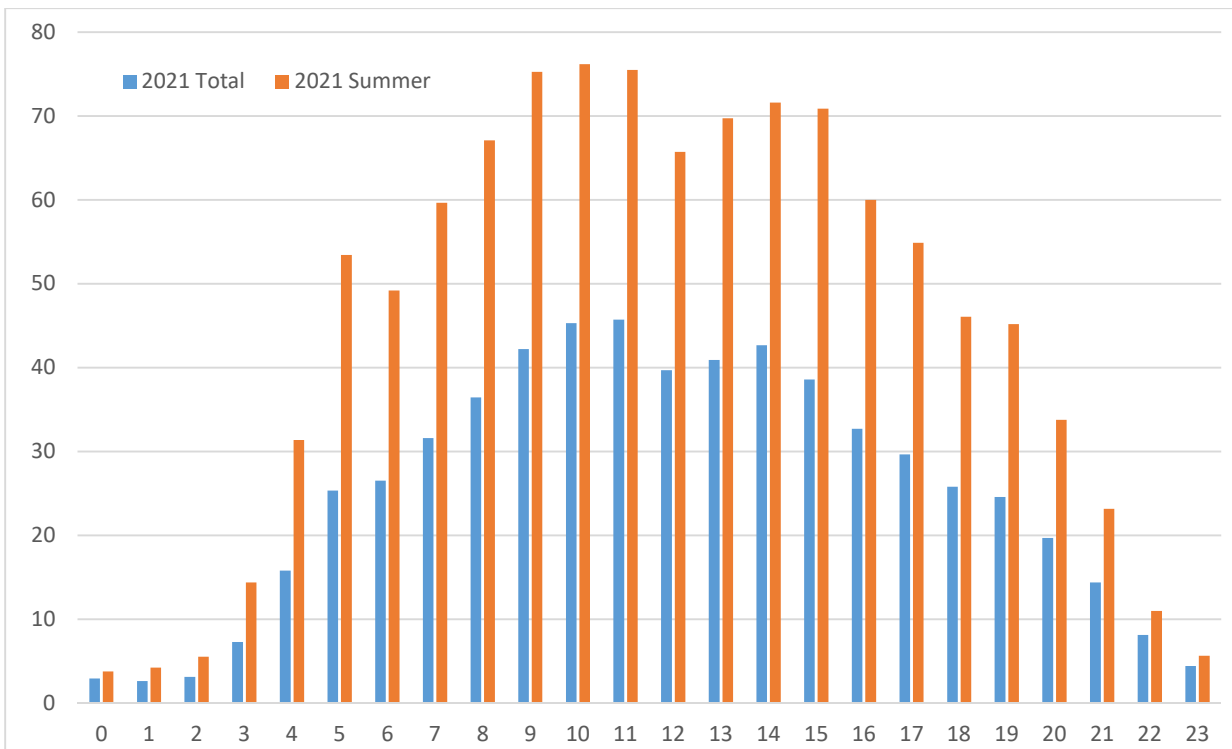


Source: Company 2022

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

In terms of hours, traffic in 2021 was distributed as shown in the graph below (blue bars in Figure 25). It should be borne in mind that this is an average value and the pattern varies between the days of the week, and that seasonal time changes (March - October), when airports open and passengers travel, affect the year-round picture.

Figure 25: Traffic by hours (UTC)



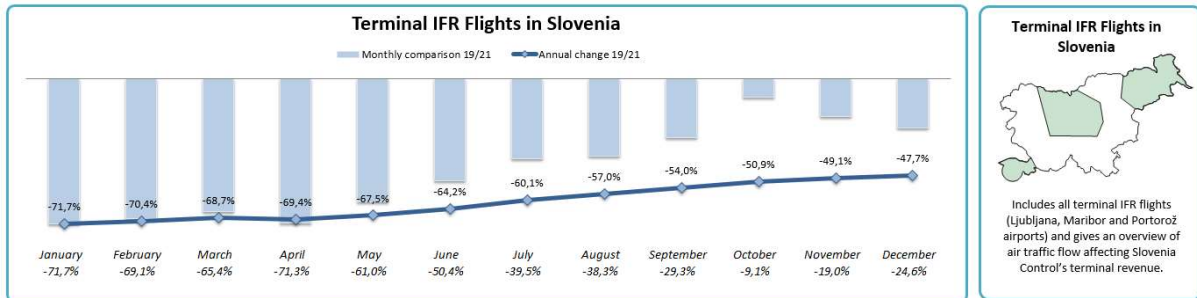
Source: Company 2022

In terms of hours, the traffic during the summer season is distributed as shown by the orange bars in Figure 25. Due to the impact of the COVID-19 pandemic on air traffic, the Figure is for information only and no conclusions on traffic trends can be drawn from it.

4.2.2 Terminal traffic

In 2021, the number of IFR flights in the terminal phase was drastically reduced under the impact of the COVID-19 pandemic and as a result of the winding down of the Slovenian carrier Adria Airways, d. o. o., in 2019, as can be seen in the figure below.

Figure 26: Number of terminal IFR flights



Source: Eurocontrol (STATFOR), 2022

The table below shows the trend in the number of IFR flights in the terminal phase over the period from 2011 to 2021.

Table 19: Number of terminal IFR flights in the 2011 – 2021 period

Year	Number of IFR flights in terminal phase	Growth rate (in%)
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%
2021	16,345	+29.6%

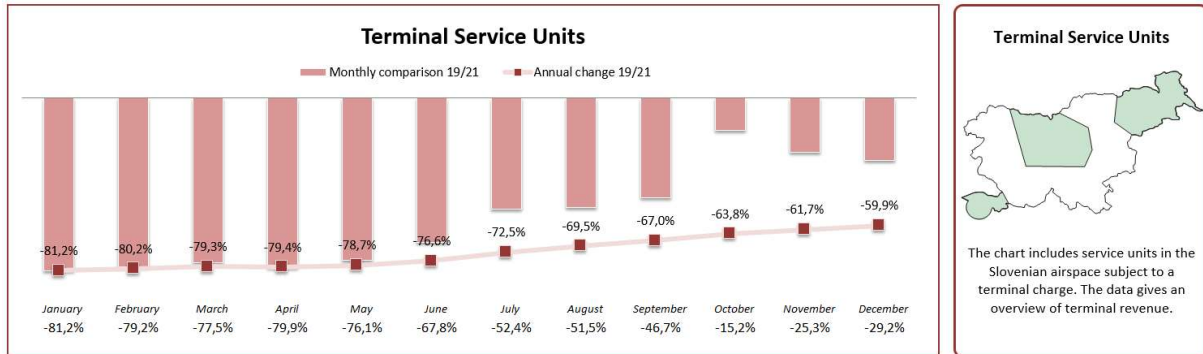
The basic traffic data obtained from individual aerodrome control units are summarised in Table 20.

Table 20: Traffic data for individual airport air traffic control (ATCC)

	TWR Portorož	TWR Maribor	TWR Brnik	TWR Cerklje ob Krki
Number of IFR operations in 2021	2,377	2,880	13,194	321
Average number of IFR operations per day	6,5	7.9	36.1	2,3
Maximum number of IFR operations in a day	25	38	87	16
Number of VFR in 2021	13,220	27,881	11,243	6,050
Average number of VFR operations per day	36.2	76.4	30.9	25.8
Maximum number of VFR operations per day	151	262	118	122

In 2021, the number of service units in the terminal phase increased by 29.2% compared to 2020, which still represents a 59.9% decrease in the number of service units compared to 2019. The number of service units in the terminal phase is, of course, highly dependent on the number of IFR flights in the terminal phase. The following figure and table present the evolution of the number of service units in the terminal phase over the period from 2011 to 2021.

Figure 27: Terminal service units



Source: Eurocontrol (CRCO), 2022

Table 21: Number of terminal service units in the 2011 – 2021 period

Year	Number of service units in the terminal phase	Growth rate (in%)
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%
2021	5,052	+29.2%

4.2.3 Summary of the air traffic analysis

Number of IFR flights

After a sharp drop in IFR flights in 2009, which was a consequence of the general economic crisis, air traffic in the Republic of Slovenia recovered much faster in 2010 (2010/2009: +4.8%) than in the EU-27 (2010/2009: 0.2%) and was even higher in the Republic of Slovenia than in 2008 (2010/2008: +0.4%), which was not the case for the EU-27 (2010/2008: -7%). In 2011, the EU-27 continued to grow by 2.6%, while the Republic of Slovenia grew by 7.5%. In 2012, growth recorded in the en-route phase in the Dolsko sector stood at 1.8%, while in the Mura sector, traffic in the en-route phase fell by 9%. In the terminal phase, the decline was even more significant, with traffic falling by 10.4%. In 2013, traffic in both phases decreased in all sectors. The number of IFR flights in the Republic of Slovenia fell by 4.8% in 2013, while the EU-28 saw a smaller decline, precisely, of 1.7%. In 2014, almost all traffic saw an increase again. In 2015, IFR flights in the Republic of Slovenia decreased slightly by 0.2%, while in the EU-28 they increased again by 1.6%. In 2016, IFR flights in the Republic of Slovenia increased by 1.7%, while in the EU-28 they increased by 3.1%. In 2017, however, traffic jumped by +9.3%, compared to 3.8% in the EU-28. In 2018, traffic continued to grow by 9.7% in the Republic of Slovenia, compared to a growth rate of 3.9% in the EU-28. In 2019, IFR traffic grew by 8.6% in the Republic of Slovenia, compared to only 1.2% in the EU-28.

In 2019, in the airspace served by the Company (Dolsko sector in the en-route phase and three terminals in the terminal phase), traffic increased by 7.2% compared to the previous year. This trend in traffic is the average of the two phases of flights (en-route and terminal). In the same way, traffic in the entire airspace

of the Republic of Slovenia increased by 10.3% in the en-route phase, by 9.2% in the Dolsko sector and by 13.6% in the Mura sector.

In 2020, air traffic declined in all segments due to the impact of the COVID-19 pandemic. Total IFR traffic declined by 57.5%, in the Dolsko sector by 57.7%, and in the Mura sector by 57.0%. Comparing IFR flights in the en-route phase, the decline was 57.4%, and in the terminal phase it fell by 59.7%. In comparison, the number of IFR flights in the EU-28 declined by 56.4% in 2020.

In 2021, air traffic grew in all segments compared to 2020, with total IFR traffic up by +42.8%, in the Dolsko sector by +47%, and in the Mura sector by +28.5%. When compared to 2019, IFR traffic decreased by 39.3%, in the Dolsko sector by -36.8%, and in the Mura sector by -44.8%. In comparison, the number of IFR flights in Europe in 2021 decreased by 44% compared to 2019.

Number of service units

The number of service units in the en-route phase followed the trend of traffic (2021/2020: +40.1%). The number of service units in the terminal phase increased by 29.2% in 2021 compared to 2020.

4.3 ANALYSIS OF REGULATIONS AND FLIGHT DELAYS 20 21

In 2021, the Ljubljana Area Control Centre (Ljubljana ACC a) did not have any regulations. The published sector configurations and the planning of operational staff were optimal.

5 INVESTMENTS

The Company's investments in modern equipment and technology in the field of ATM systems and infrastructure for the provision of air traffic management (ATM)/air navigation services (ANS) in accordance with its business plans follow the development strategy which is in line with the European regulations defining the requirements for further technological development (European ATM Master plan, SESAR). The Company followed the previously mentioned commitments in the implementation of investments in 2021, taking into account the revised investment plan as a consequence of the negative impact of the pandemic COVID-19 on the Company's business and its financial position.

In 2021, the Company started activities to continue the project to extend the WAM multilateration system to the eastern part of Slovenia. The implementation of the Maister Multilateration (MAM) system follows the Company's strategy of introducing new technologies in the field of surveillance systems. With the implementation of the MAM system, the Company aims to improve aircraft detection in the eastern part of Slovenia and to provide additional (dual) secondary coverage of this area. The project was initiated as the "Slovenia Wide Area Multilateration System" (SLOWAM) project with the deployment of the system's receiving or receiving-transmitting antennas at nineteen (19) locations across the Republic of Slovenia. It was handed over for operational use at the end of March 2019. MAM will be a parallel aircraft detection system, by way of which the Company aims to provide independent aircraft detection. Small locally deployed receivers will enable the detection of low-flying aircraft or their detection in areas that existing radar systems cannot provide due to their locations, or it will provide additional dual coverage of the area currently provided by SLOWAM. The MAM system will, among other things, adequately reduce spectrum congestion, which is also a Eurocontrol recommendation. The technical requirements for the implementation of the system have been prepared for in 2021.

In 2021, the Company entered into a long-term lease agreement with the Ministry of Defence for a radar site at Ljubljanski vrh above Vrhnika, where the Company installed a MODE-S radar system. In accordance with this contract, the Company renewed the electrical installation and secured an independent backup as well as an uninterruptible power supply system and carried out the structural rehabilitation of the radar platform to prevent the ingress of meteor water into the facility.

In 2021, the main part of the project for the procurement and implementation of VHF systems at Portorož and Maribor airports and at the Janče site started. A supplier was selected following a public call for tenders. The project was affected by the COVID-19 crisis, as the delivery of equipment was delayed due to the shortage of certain electronic components. There will be no other major delays in the implementation of the project and the new VHF systems will become operational in spring 2022.

The project to set up the Company's own MW connections (MicroWave - microwave connections) continued. This project will increase redundancy in A/G voice communication and reduce the Company's dependence on telecommunications service providers. Due to the impact of the COVID-19 crisis, the implementation concept was simplified and the project is nearing its completion.

In 2020, hardware was purchased, precisely, servers to replace most of the current hardware on the operational systems. For this purpose, the preparation of documentation and testing of the equipment in an "OFFLINE" environment started. The replacement of servers in the operational environment started in the second half of 2021 and will continue in 2022. The Company also replaced network equipment (switches and routers). Preparations for the replacement of the ATIS hardware and software also began; the project is planned to be implemented in the second half of 2022. A project for the replacement of DME MB and DME ILB is under preparation, as well as analyses for the deployment of new DME to cover the airspace with DME/DME. Upgrades of the FDPS system were also successfully carried out.

Also in 2021, the Company developed the new eARO 2.0 application with the selected contractor and successfully integrated it into the operational functioning of the ARO service. The Company's representatives have been involved mainly in terms of their expertise and knowledge of the field and the requirements.

In the AIS area of activity, the Company kicked off preparations to draft technical specifications for the upgrading of the AFTN/AMHS system and the ADMT (AIM Portal).

The Company currently uses "RRR - Comsoft" for the recording and replay of radar data. This product provides the functions necessary for the statutory storage of radar data and also for the technical analysis of systems related to the processing of radar data. Due to the age of the system, the implementation of a

new system (VCR) which is being developed by the Company itself, started in 2021. The goal is to replace the existing system, while at the same time remove the significant limitations of the current system and allow for the uninterrupted recording of radar data in the coming years. The project is scheduled for completion in the first half of 2022.

The Company currently uses ARTAS (version 8B4) as the main "tracker" and Comsoft RPX as the "fallback tracker". The RPX tracker has been in use since 2005, during which time the Company purchased the source code and made some upgrades (e.g. MODE-S). However, with the arrival of new radar technologies (WAM, ADS-B), it has become apparent that a simple upgrade of the RPX tracker will no longer be possible in the future. However, as the purchase of a "tracker" is a significant investment, the Company has decided to replace the RPX tracker with an additional implementation of the latest version of ARTAS.

In June 2021, the implementation of the meteorological information system for airport air traffic control - TWR QAM - was carried out. The system displays the data transmitted from the meteorological (METEO) service of the Environment Agency of the Republic of Slovenia at the individual airport control towers at the working positions of air traffic controllers.

In recent years, the Company has been active in obtaining European funding to secure additional sources of financing for investments in new systems and facilities needed to ensure adequate technological equipment, compliance with the requirements of the EU's regulatory framework, the achievement of the required levels of safety and operational capacity, and to maintain the competitiveness of its services. The Company's major achievements include the successful obtaining of European funding for seven projects, six of which were already completed. The only ongoing project is the "SWIM Common PKI and policies & procedures for establishing a trust framework" project, which aims to define the role, policies and procedures necessary for the creation, management, distribution, use, storage and revocation of digital certificates and the management of encryption keys. The Company is a project partner in this project, which is coordinated by Eurocontrol. Five projects received a 50% co-financing from the European Connect Europe Facilities - CEF programme, and two received the 43% co-financing.

The Company also continued with the implementation of the "ATM Data as a Service - Cluster Deployment" (ADaaS2) project, the implementation of which is a key element in the Company's positioning in the area of Europe. This is a project that is on the verge of developing a prototype operational system that can provide the Company with a competitive advantage in the future and the possibility of additional market-oriented activity in the provision of operational services to other air navigation service providers. The target scenario thus results in two ATM Data Service Providers (ADSPs) for the needs of at least two Air Traffic Service Units (ATSUs) for the initial ADaaS group. This will be the first operational deployment of this concept in Europe among different dispersed civil air navigation service providers. The duration of the project is foreseen until 31 December 2023.

The Company completed a project aimed at providing independent power supply to all users within the Company, including the airport control tower and facilities at the Maribor Edvard Rusjan Airport. By connecting the Company directly and independently to the electricity distributor, the Company ensured power independence from other users at the Maribor Edvard Rusjan Airport. In spring 2021, the power supply system for Tier IV PS critical consumers was successfully upgraded so that the medium voltage switches in both transformer stations are now remotely controlled from the distribution control point of the distributor Elektro Gorenjska. The upgrade increased the level of safety at work and thus the availability and the reliability of the power supply. In June, for the first time since the start of the operation, a so-called "power stress test" was carried out on the power supply to critical electrical consumers from all available power sources. The procedures included technical, procedural and organisational aspects in the event of a major failure of the power supply components or an accident at both transformer substations in the ATCC facility. The analysis showed that the availability of the power supply system is at a high level, both at the technical level and at the level of competence to quickly remedy degradations.

The technical security system was upgraded with individual solutions to make the system more efficient and to make it easier to identify potential breaches of order in the protected area or other harmful events. In 2021, depending on the capacity, the primary investments planned were hardware and software upgrades of the technical security system: mainly in the central part (servers) of the system, and software upgrades of the so-called "offline" components of the access control system. To ensure smooth and uninterrupted operations, a fully operational copy of the system at the DRC site was set up and will continue to operate in 2022. Further equipment is expected to be provided in the dispersed infrastructure facilities, which will include the provision of technical security, fire detection, and the cooperation with the IT Department which is necessary for the establishment of an RF wireless circuit. This will enable the system at the dispersed locations

to be connected to the central site. The contract for the provision of this service was concluded at the end of the year and will continue in 2022.

In 2021, in addition to these major investments, the Company carried out the planned emergency investment and maintenance works on the infrastructure, facilities and equipment owned by the Company in order to maintain or upgrade the functionality of the facilities and related installations. The planned investment and maintenance works were carried out, inter alia, on air traffic control facilities, in particular the Brnik Airport Control Tower, in accordance with the approved Brnik Control Tower Capital Maintenance Plan (replacement of the elevator, rehabilitation of the terrace and wind tunnel due to waterlogging, installation of a stand-alone heating system). As regards fire safety, the planned investments at the Brnik Airport Control Tower were implemented. The fire detection system was upgraded and the security lighting was renewed. In addition, the Company set up a remote monitoring system for the operation of security lighting at the Brnik, Maribor and Portorož sites. In addition to the above, minor maintenance works were carried out at the Maribor and Portorož airport air traffic control facilities. As these facilities are owned by the Republic of Slovenia, the works were carried out on the basis of the consent of the facility operator, i.e. the Ministry of Infrastructure.

6 RISK MANAGEMENT

Air traffic management and control is a very specific and demanding activity, which is exposed to a number of general and specific risks. The Company recognises the importance of an appropriate risk management system to ensure that significant risks to the stability of its business and results are identified, assessed, appropriately monitored and managed.

The Company is a key contributor to aviation safety and an element of the country's critical infrastructure under the Critical Infrastructure Act. As such, it is subject to mandatory organisation of security services, defence planning and is an integral element of civil aviation; it is obliged to ensure the protection of civil aviation against acts of unlawful interference with air navigation services technology and to ensure an adequate level of security of the Company and its processes. The Company is also designated as an essential service provider on the basis of the Information Security Act and the decision of the Government of the Republic of Slovenia.

The above-mentioned regulations essentially require the Company to meet the conditions for ensuring the continuity of the Company's operations and its essential services. A key condition for achieving business continuity is the identification of sources of risk or threats which, through their manifestation, may cause the interruption of the provision of services; consequently, the requirements of both laws and their subordinate by-laws also relate to the structured treatment and evaluation of risks. It follows from the Critical Infrastructure Act that the Company is obliged to prepare an assessment of the risks to the operation of critical infrastructure, in accordance with Article 12 of this Act. The assessment must be prepared in accordance with the Guidance for the Assessment of Risks to the Operation of Critical Infrastructure (Official Gazette of the Republic of Slovenia, No. 7/19) and the Sector Operator's Expert Guidance (INTERNAL) obtained by the Company from the Ministry of Infrastructure. At the same time, Article 11 of the Information Security Act requires providers of essential services to carry out a risk analysis, assessment and evaluation and, on this basis, to prepare and implement the necessary measures to manage the risks to the security of the networks and information systems used in the provision of essential services. The risk analysis complies with the requirements of the Rules on security documentation and security measures of operators of essential services (Official Gazette of the RS, Nos 32/19 and 95/21 - ZInfV-A).

In terms of content, both laws require the preparation of an appropriate risk assessment, which at a minimum analyses and evaluates the sources of risks/threats, identifies potential vulnerabilities of the Company's assets, performs a risk assessment and determines an assessment of the acceptable level of risk in light of the assessment level attributed to the identified risks. The two assessments complement each other and, together with other risk assessments (e.g. in the financial area), constitute the starting point for the formulation of measures to ensure the safety and security of the Company and, consequently, to ensure the continuity of its operations and business.

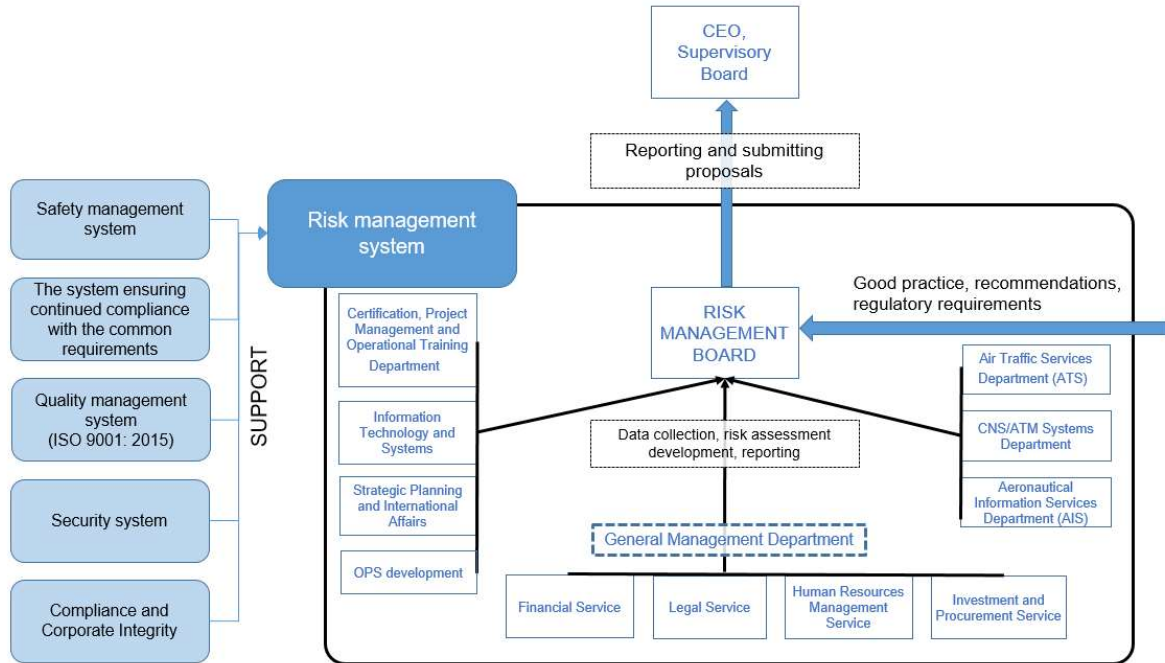
The Company regularly updates the Critical Infrastructure Risk Assessment and obtained the approval granted by the sector operator of the critical infrastructure in 2020. As regards the Company's IT systems, The Company also prepared the paper discussing the IT systems, i.e., the Risk Assessment and Information Systems Security and Protection; the document is regularly updated or adapted to changing security conditions. The main task of the risk assessment on information security is to identify potential threats to the integrity, availability and confidentiality of the assets with which the Company operates.

At EU level, a new Critical Entities Resilience (CER) Directive is being adopted; it will require each country to adopt a national strategy to ensure the resilience of critical entities, which will be subject to an obligation to increase their resilience to risks. This obligations includes risk assessments at the level of each entity, the adoption of technical and organisational measures, and incident notification, where incidents do not refer only to "IT/cyber" incidents but to any event that may disrupt the operation of the entity or the company, with the consequence that the company will have to modify its risk management system accordingly.

In connection with the Company's activities, the Company's risk management system is effectively supported by the following systems: a safety management system, a system to ensure continued compliance with the common requirements for the provision of air navigation services laid down in Commission Implementing Regulation 2017/373/EU, a quality management system in accordance with the international standard ISO 9001:2015 and the guidelines of ISO 31000:2018, and a security management system. The system is further supported by the function of the Compliance and Integrity Officer.

Given that the safe provision of air navigation services is a priority for the safety of air traffic, the management of safety risks is ensured through the effective implementation of activities within the safety management system. It is important that the Company maintains an adequate overview of the risks and ensures that appropriate mechanisms are in place to manage them. To this end, a working group (committee) was been set up to manage and oversee risk management and a risk management coordinator has been appointed to lead the committee. The location, role and relationship of the risk management system in relation to other organisational units in the Company is summarised in the following figure.

Figure 28: Risk management system



The Company applies a quantitative approach to risk evaluation, i.e. risks are evaluated in terms of their impact on the Company's cash flow, profit or loss or statement of financial position. Risks are evaluated both through their individual impact on cash flow, profit or loss or the statement of financial position, and through their marginal contribution to the overall risk - taking into account any potential interdependencies and correlations between individual risk factors.

The risk picture of the Company is significantly influenced by the uniform rules of the European Union, which determine the way national cost bases and thus unit rates (charges) are established, and by the mechanism for sharing the risk related to traffic, inflation and investment, the so-called adjustment mechanism. The Company quantifies risks mainly in terms of potential negative cash flow effects, as the latter are greater than the longer-term capital effects of the risks due to the specific adjustment mechanism.

The Company has identified the key types of risks to which it is exposed and the mechanisms and measures to manage them. The Company continues to systematically and continuously identify, monitor, measure, assess, manage and report on risk management in the context of the established risk management system.

The individual risks are described in more detail below, including a report on the key risks and their impact on the Company's business in 2021.

6.1 STRATEGIC RISKS

In identifying strategic risks, the Company must take into account its strategy as defined and the risks arising from the implementation of the strategy as implemented. Air traffic management and control activities are also of strategic importance for the country and therefore the development of new technical systems, infrastructure and technological solutions and operational implementation of air traffic management and control is also of strategic importance for the development of the wider society. The

Company is strongly integrated in the international environment of global air traffic. The regional integration in all areas is therefore crucial, while international integration makes it important to comply with international treaties and international financial reporting standards. The most significant risks arising from the Company's strategy and operations are described below.

Regulatory risk - risk-sharing mechanism related to traffic and inflation (the adjustment mechanism): the risk picture of the Company is significantly affected by the risk related to the provisions of the following legal instruments: firstly, (i) Commission Implementing Regulation (EU) No. 390/2013 of 3 March 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"), secondly, (ii) 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 thirdly, (i) 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 and inflation 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 temporary change in the 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 relevant in terms of its impact on the adjustment mechanism for the third and fourth reference periods of the monitoring of the Union-wide performance targets.

In accordance with the aforementioned Regulations, when preparing the cost bases representing the five (5) year forecast of the costs for providing air navigation services, the Republic of Slovenia, and therefore the Company, must forecast the costs of providing air navigation services expressed in nominal terms; this includes the investments planned, traffic forecasts in accordance with the latest seven-year Eurocontrol forecasts, as well as the expected inflation rate as forecast by the International Monetary Fund. However, after the end of each year, the impact of the so-called inflation adjustment mechanism and the sharing of traffic risks and, as from 1 January 2020, investment risks - as laid down in Commission Implementing Regulation 317/2019/EU – are taken into account. The identified costs expressed in nominal terms are adjusted for each completed year (n) on the basis of the difference between the actual inflation and the inflation forecast for that year (n) and included as an adjustment for the calculation of the unit rate for the year (n + 2). Similarly, in the event of a deviation of actual traffic from the traffic forecast, which results in a change in revenue as compared to the forecast revenue, a traffic risk sharing mechanism is triggered between the air navigation service providers (the Company) and the users of the services (the airlines), who share the risks according to the following premise, i.e. in the event of a deviation of traffic:

- 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 thus bears the risk of traffic fluctuations of up to -4.4% per year, with a negative impact on revenue, profit/loss and liquidity.

In the third reference period, the air navigation service provider is also exposed to a risk mechanism related to depreciation and costs of capital, which relates to deviations of actual investments from planned ones. The risk of this adjustment mechanism is expressed in terms of over/under recovery of revenue to be included (recovered/charged) in the calculation of the unit rate in year (n + 2).

In cases of significant deviations in inflation and traffic forecasts, such as those experienced by the Company in recent years, inappropriately high profits in year (n) are reflected in a loss in year (n + 2). The impact of the previously described effect of deviations in actual inflation from forecasted inflation and traffic risk sharing, and in the RP3 period also the risk mechanism related to investments, may lead to significant fluctuations in the Company's revenue and profit and to an unrealistic representation of the Company's performance, which is beyond the Company's control, as the way in which the unit rates are determined, and thus the revenue and profit, is regulated by European regulations.

In the second reference period (RF2: 2015-2019), the impact of the adjustment mechanism described above applied to the Republic of Slovenia for both the en-route and terminal flights. However, in accordance with the Decree implementing the Regulation (EU) laying down a performance and charging scheme in the single European sky (Official Gazette of the RS, No. 3/2020), in the third reference period

(RF3), the terminal phase is excluded from the so-called "performance scheme" and is therefore subject to the principle of full cost recovery or the so-called "full cost recovery" regime, with the rules of the en-route phase and the Decree on terminal charges being applied *mutatis mutandis*. This means that only the effects of 2018 and 2019 are relevant for the terminal phase in terms of addressing the regulatory risk of the adjustment mechanism.

While the risk arising from the inflation adjustment mechanism is exogenous and beyond the Company's control, as it has to take international institutions into account when making its forecasts, the Company manages the risk sharing associated with traffic by using the most accurate and realistic traffic forecasts for planning purposes, in particular Eurocontrol's statistical forecasts and the Company's database, by regularly monitoring data on traffic trends, revenues, costs and cash flows, and by drawing on short-term credit lines with selected banks for a period of up to one year. The risks arising from the impact of the adjustment mechanism on investments that may have an impact on the Company's operations in the third reference period are related to the group of risks which are connected with strategic planning and they are thus also addressed as part of it.

Risks related to national and international regulations: air traffic management and the provision of air navigation services, and thus the Company's business, are subject primarily to the European regulatory framework, but also to national legislation. Both of these complementary bodies of law are changing in line with the dynamics of global air traffic, and this change is having an impact on the business and, in the darkest of negative consequences, even on the existence of the Company. Non-compliance with the applicable legislation may result in the imposition of sanctions in inspection and infringement proceedings. Although this is an exogenous risk, the Company manages these risks to the extent practicable through its successful participation in international and national expert bodies, the knowledge of its own experts, and a proactive systemic approach to monitoring and ensuring compliance with the requirements, as well as through its internal process for monitoring compliance with the requirements of the applicable regulatory framework.

Risks of non-compliance with internal acts: based on national and international regulations and the internal needs of the work processes, the Company adopts internal acts which contain working procedures and instructions for the conduct of its employees. The risks of non-compliance with internal acts has also been classified as the Company's key risk: in the event of deviations or inconsistencies of the aforementioned acts with the regulations in force and binding on the Company, and in the event of non-compliance or non-implementation of the internal acts (non-compliance of employees' actions), these risks may also have a significant impact on compliance with the regulatory requirements and may ultimately result in the imposition of sanctions in inspection and infringement proceedings. The Company manages this risk in the following manner: (i) through an appropriate system of access and familiarisation of employees with the Company's applicable internal acts and their amendments, (ii) through supervision and monitoring of the work of employees by their immediate superiors, (iii) through an internal system of approval of relevant activities by superiors, (iv) an established system of internal controls and an internal process for monitoring compliance with the applicable legal framework (Compliance and Integrity Officer position, internal ISO audits, internal compliance monitoring in relation to the requirements of Commission Implementing Regulation 2017/373/EU), and (v) by having in place an adequate professional indemnity and general liability insurance.

Risks related to international collaboration: in order to operate and develop successfully, it is essential for the Company to integrate with air navigation service providers in other countries, and it is essential that the Company is given an equal role in these associations. In this respect, the Company's activities within the functional airspace block of Central Europe and beyond with the aim of achieving the objectives of the European Single European Sky (SES) regulations are of paramount importance, as failure by the Republic of Slovenia to meet these objectives could result in the imposition of financial sanctions by the EU on the Republic of Slovenia, while European legislation does not provide for direct sanctions for the air navigation service provider. The Company is committed to strengthening its cooperation and its role with neighbouring countries in the envisaged airspace transformation in the region, both at the level of the FAB CE and in cooperation and integration with other FABs (BALTIC FAB, DANUBE FAB, BLUE MED FAB, GATE ONE), as well as in active cooperation with international civil aviation organisations (Eurocontrol, EASA, ICAO, CANSO, ECAC, ATCA).

Risks related to strategic planning: investments in necessary, expensive and sophisticated technical equipment and technology require long-term planning, international agreements and cooperation. In accordance 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, which must demonstrate compliance with the Performance Plan for the Republic of Slovenia in force from time to time. The

Performance Plan covers a five-year reference period in accordance with the aforementioned legislation. The Performance Plan includes, inter alia, the identified costs of air navigation services for each year of the reference period and for each charging zone, and the investments envisaged, including those necessary to achieve the performance targets, detailing their relevance in relation to the ATM Master Plan for Europe, the Strategic Network Plan and the joint projects. In the context of strategic planning, the Company is exposed to the risk that it does not foresee in the implementation plan all the necessary investments resulting from binding regulations which define the requirements for further technological developments in the field of air navigation services, which will then not allow it to recover the costs of such investments through the unit rate for the service.

The Company manages risk through strategic planning, regional cooperation and integration within the FAB CE project, and investment planning in line with European regulations which define requirements for further technological development (European ATM Master Plan, SESAR).

Risks related to the acquisition and ownership of assets: the adoption of amendments to the Aviation Act and the Act on the Provision of Air Navigation Services provided the legal basis for the transfer of the state-owned infrastructure used by the Company (with the exception of the airport control towers), to the Company as a capital contribution, which was realised in December 2013.

The Company actively cooperated with the responsible ministry to conclude a general agreement between the Company and the State which regulates in the long term mutual relations in relation to the use of land on which facilities, systems and installations intended for the provision of air navigation services are located. The agreement on the regulation of 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 conclusion of the agreement also largely regulates the relations which relate to the use of the land on which the facilities, systems and installations are located; systems and installations were transferred to the ownership of the Company by means of the capital increase, and are intended for the provision of air navigation services. This enables the Company, as an air navigation service provider, to comprehensively plan, develop, procure and maintain the facilities necessary for the provision of air navigation services, in particular for ensuring the safety and smooth flow of air traffic in Slovenian airspace, in accordance with European Union regulations.

Airport control towers, which the Company uses as non-proprietary assets, are also an important asset for the Company's core business. While in 2016 the Company concluded a lease agreement with the State, acting in the capacity of the owner of the control tower at the Ljubljana Jože Pučnik Airport, the ownership of the control towers at the Maribor Edvard Rusjan Airport and the Portorož Airport remains unsettled, as a result of their unsettled legal status which is the basis for the use of the two aforementioned control towers. The Company takes an active part in the process for regulating the legal situation of the two control towers, i.e., the State's ownership of the control towers, with all available information. The regulation of their status will be the basis for the conclusion of the lease agreement.

Market and market structure: are exogenous factors that give rise to risks which, in the context of the European Union, where national borders are being blurred, particularly in air traffic, are reflected in the changing structure of air traffic. This involves changes in air traffic volumes, with an impact on the workload intensity of key air traffic management and control work processes and a quantitative impact on the service units of air traffic services. Although this is an exogenous factor and the Company has no direct influence on the structure of the market and cannot differentiate between service users in accordance with the applicable regulatory framework, the Company responds to the resulting risks primarily by dynamically adjusting the airspace capacity within its domain.

Maintaining and renewing the validity of the licence (certificate) to provide air navigation services: in accordance with Slovenian and European legislation, the Company must comply with the regulatory requirements for providers of air traffic management and air navigation services and maintain the operating licence, which is a condition for the provision of the Company's activities. This is a distinct exogenous source of risk, the manageable part of which is managed by the Company in the following manner: through a time-progressive systematic methodology for monitoring and ensuring compliance with the requirements for the provision of air traffic management (ATM)/air navigation services (ANS), i.e. air navigation services, ensuring compliance monitoring capability, proactively developing a cause and effect analysis methodology to identify the reasons for the potential occurrence of non-compliance, effectively planning and implementing corrective action in a timely manner, and providing the conditions for the development of the necessary competences to monitor and demonstrate compliance with the requirements.

Union-wide performance targets: the achievement of the targets adopted by the State in the Performance Plan as binding targets through which the Republic of Slovenia contributes to the achievement of the Union-wide and FAB CE targets has a significant impact on the Company's performance. In accordance with the European Single European Sky (SES) legislation, the Company, as an air navigation service provider, must demonstrate an adequate contribution to the achievement of national performance targets in line with the Union-wide performance targets as defined in each applicable national Performance Plan. Responsibility for the achievement of the targets lie with the Republic of Slovenia.

The Company manages this risk by ensuring that its annual and five-year business plans are consistent with the agreed performance plan, by regularly monitoring the achievement of targets in key performance areas on a quarterly and annual basis, by analysing the reasons for deviations between results and targets, and by reporting and taking timely and effective corrective action.

Quality management system requirements according to international standards: international quality standards contribute to the Company's focus on quality, which in turn contributes to a leaner and more flexible organisation that is better equipped to seize new opportunities in an increasingly competitive global marketplace. The benefits that the Company derives from the implementation of a quality management system based on ISO 9001:2015 are mainly in the ability to deliver consistent service, customer satisfaction, competitive advantage in the marketplace, which potentially impacts on business revenues. The Company has introduced more detailed risk inventories by area, taking into account the international standard ISO 31000:2018, which provides guidance on risk management. From the Company's perspective, the key risk and therefore the greatest potential loss is associated with the loss of certification to carry out its activities. The Company's measures to manage the risk related to the requirements of the quality management system include regular monitoring and compliance with the standard, training of employees, regular internal audits, monitoring compliance through processes and documentation, and annual external audits by the accreditation body.

6.2 FINANCIAL RISKS

The Company's business is exposed to all financial risks to a greater or lesser extent:

Liquidity risk: although liquidity risk does not exist in the absence of other risks that may cause a fall in revenues or an increase in costs, individual companies are more exposed to shocks on the revenue or cost side due to seasonal nature of their business. Thus, the Company is exposed to liquidity risk mainly in the winter season due to the seasonal impact on its business/activities. In addition to the above, as demonstrated by the emergence of COVID-19, the Company may be exposed to a higher cash flow risk due to the negative impact of external extreme events such as natural disasters, epidemics, security events, the occurrence of a recession or other market shocks (oil shocks). These factors, through their impact on the decline in air traffic and thus on the Company's revenues and consequently cash flow, increase the Company's exposure to higher liquidity risk.

Reconciliation of assets on the asset side and liabilities on the liability side across maturities is key to ensuring sustainable solvency. The availability of sufficient financial resources over a given period is crucial to ensure the timely settlement of current liabilities. Both insufficient financial resources and opportunistic losses of surplus cash on bank accounts represent the so-called liquidity risks.

Thus, during the COVID-19 pandemic, the Company paid particular attention to liquidity risk management by borrowing at appropriate levels, planning the necessary financial resources and running cash flow simulations in advance. The Company has systemic control over the maturity of its liabilities to suppliers, financial institutions, the State and others, so that it settles its liabilities to creditors in a timely and regular manner. In addition, the Company manages liquidity risk by regular weekly and monthly monitoring of traffic, revenue, cost and cash flow data and by drawing on short-term credit lines.

The impact of liquidity risk is assessed in the Accounting Report, in section 3.2.25 Financial instruments and financial risk management.

Interest rate risk: the Company has borrowings with interest rates linked to Euribor. As a result, the Company is exposed to the risk of changes in the (benchmark) interest rate - the risk of significant changes in the value of the Euribor over a period of time, which would result in changes in the level of interest payments on the borrowings. The Company does not yet have a contract in place to hedge against the risk of a rise in the Euribor, but it manages the interest rate risk by monitoring interest rates, negotiating competitive borrowing terms with credit institutions, planning the additional funding required and

quantifying the risk in terms of its impact on the Company's cash flow as a basis for deciding on the appropriate financial hedge against this risk.

The impact of any changes in the level of variable interest rates is assessed in the Accounting Report, in section 3.2.25 Financial instruments and financial risk management.

Counterparty default risk (credit risk): the Company has two main sources of revenue, namely 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 charges segment, as the Company's terminal charges revenue is characterised by a lower customer spread. From a credit risk perspective, it is important that revenues from services provided in the terminal phase represent less than 10% of the total sales revenues.

For income from charges, the Company manages the risk by participating in a common system of charging and collection through Eurocontrol (the cost of the services provided to airlines is billed by Eurocontrol, which in turn remits the funds to the Company). An additional measure is to monitor the performance/financial health of the relevant customer and, if necessary, adjust the terms of repayment of the liabilities. In the event of increased risk (e.g. the possibility of bankruptcy), the Company may protect itself by means of its own capital reserve (in which case the capital requirement is equal to the expected credit risk loss), or it would examine the possibility of insurance through specialised insurance companies. An additional protection option is the possibility of taking action to deny air traffic services (ATS) to the debtor in accordance with the provisions of the Regulation implementing Implementing Regulation 2019/317/EU.

Price risk: the way in which air navigation service activities are financed is governed by the European Single European Sky (SES) legislation, which regulates the way in which services are priced. Accordingly, the prices for the services provided are based on forecast costs and traffic, taking into account forecast inflation. The system provides for the recovery of all forecast costs, taking into account actual inflation and a traffic risk and incentive mechanism. The system of risk sharing related to traffic, inflation and investment makes price risk low and manageable.

The Company manages price risk by calculating the price of charges in accordance with European Union regulations and the guidelines provided by the European Organisation for the Safety of Air Navigation (Eurocontrol), Principles for establishing the cost base for en-route charges and the calculation of the unit rates.

Commodity price risk: although the Company's selling prices are not directly linked to the price of certain commodities or services, the Company's business is indirectly exposed to the risk of changes in the price of oil. In this respect, changes in the oil price may have negative effects (lower sales) for the Company both in the event of a small drop in the oil price and in the event of a large increase in the oil price:

- air carriers face an optimisation problem where the boundary conditions are oil prices on the one hand and en-route charges on the other. Thus, in the event of a small drop in the oil price, air carriers may choose longer routes in order to pay lower fees, which effectively means lower revenues for the Company;
- however, in the event of a high oil price, a general decrease in the number of flights is expected, which again means lower revenues for the Company.

The Company manages this risk by using the most accurate and realistic traffic forecasts for planning purposes, in particular Eurocontrol's statistical forecasts and the Company's database, by regularly monitoring traffic, revenue, cost and cash flow trends, and by drawing on short-term credit lines with selected banks for up to one year.

Revenue concentration risk: the risk related to revenue concentration is limited due to the relatively high customer spread in the en-route segment, as the largest customer does not account for a high percentage of the total turnover in this segment. However, this risk is still present, as in the event of the loss of one of the five largest customers, the Company would not be able to fully replace the revenues lost, which would result in a decline in revenues, EBITDA and operating profit. In the terminal services segment, the largest customer represented a high proportion of turnover up to and including 2019, but this was less significant from a risk perspective as revenues from terminal services represented less than 10% of total sales revenues. Such a high share allocated to one customer is not expected in the future.

The Company manages the risk by monitoring data on key partners in both service segments (en-route and terminal) based on Eurocontrol data, through the Company's participation in a common service

charging and collection system through Eurocontrol, the use of the most accurate and realistic traffic forecasts for planning purposes, in particular Eurocontrol's statistical forecasts and the Company's database, regular monitoring of traffic, revenue, cost and cash flow trends, and the use of short-term credit lines concluded with selected banks for a period of up to one year.

6.3 OPERATIONAL RISKS

The Company's most significant operational risks include:

External extreme events and risks related to the occurrence and duration of security crises in the region and beyond: external extreme events such as natural disasters (volcanic eruptions), potential terrorist events, security and political crises (Middle East, Ukraine) and disease epidemics could have a significant negative impact on the Company's revenue and consequently cash flow in the short term (up to one year) due to the loss of revenue from fewer flights. The Company's main risks in this category are global economic crises in conjunction with security crises and disease pandemics such as COVID-19, which currently affect the whole world, and which represent an exogenous factor which, given the duration and depth of the crises, significantly affects the volume of air traffic worldwide, the price of fuel and the choice of tourist destinations. These impacts directly determine air traffic flows and the choice of air routes, which, particularly for small countries, can lead to major changes in service levels. These factors pose significant risks to the achievement of the Company's annual plan and objectives. These are highly exogenous factors which the Company manages to a manageable extent by using the most accurate and realistic traffic forecasts for planning purposes, in particular Eurocontrol statistical forecasts and the Company's database, by regularly monitoring traffic trend data and by dynamically adjusting the airspace capacity in its domain.

Recession risk: Recession risk is one of the most important risk factors to which the Company is exposed in its business (this is the aspect of potential negative effects on the Company's operating result). The risk is mainly materialised through a drop in demand following a recession/the onset of a recession. Analyses show a significant negative impact of the recession on the demand for air travel. As a consequence, there is a loss of revenue and a loss of EBITDA, which has a direct negative impact on the Company's operating result. This risk is mitigated to a large extent by the aforementioned adjustment mechanism as provided for in Commission Implementing Regulation 317/2019/EU. The Company manages this risk by using as accurate and realistic traffic forecasts as possible for planning purposes, in particular Eurocontrol statistical forecasts and the Company's database, by regularly monitoring traffic, cost and cash flow trend data and by drawing on short-term credit lines with selected banks for a period of up to one year.

Risks associated with the fluctuation in air traffic flows and related factors: risks associated with the fluctuation in air traffic flows and related factors (unforeseen air traffic restrictions in neighbouring countries) may affect air traffic volumes. The Company manages these risks through regular weekly, monthly and quarterly monitoring of air traffic volumes, dynamic adjustment of the airspace capacity in its domain, and operational adjustment of the performance of ATM activities, which has a time-delay effect, particularly in the case of the adjustment of the route network.

Risk of airspace congestion: with the rapid growth of air traffic in recent decades and forecasts for further growth of this activity in the world and Europe, the Company, as a provider of air traffic management and air traffic control services in the very small Slovenian airspace, is exposed to the risk of airspace congestion. The risk is well managed by the Company, which, in order to avoid airspace congestion, has been organised as a "Network Manager" (this role is performed by Eurocontrol), which manages air traffic flows in European airspace strategically (long-term) and tactically (daily and hourly). The risk is thus managed through appropriate planning of traffic flows through Slovenian airspace.

Human resources risks: in this risk group, the Company has identified key personnel risks and risks related to occupational health and safety as key risk groups. The risk related to the Company's key employees arises from four sources - incompetence risk, departure risk, risk of death of a key employee and retirement risk. Although the employee turnover rate at the company level is relatively low according to the Company's data, this risk may have negative effects on the Company's business (mainly costs related to recruiting and training new staff), which are difficult to measure. The Company manages this risk through human resources planning, by providing the relevant social rights for employees, adequate remuneration, good working conditions and a well-organised working environment, and having established measures for occupational health and safety.

Another risk in the area of human resources is the lack of systemic (legal) regulation of retirement

conditions, which does not give the employer effective leverage to manage human resources - in fact, the employer has no influence on the employee's decision to retire, despite the fulfilment of the conditions, which may be of particular importance for operational staff (loss of competences). The Company manages this risk by having in place a system for verifying and maintaining competencies, by being flexible, by continuously monitoring and analysing staffing needs and by providing timely replacements in areas where a need is identified to replace existing staff.

Occupational safety and health risks are related to ensuring the prescribed levels of occupational safety and health, in particular taking appropriate measures to protect the health and safety of workers at work and to prevent the occurrence of occupational accidents and diseases. Adequately trained operational staff in air traffic services (ATS), communication, navigation and surveillance services (CNS) and aeronautical information services (AIS) is a key factor in the performance of the Company's activities and must also be demonstrably competent to maintain the appropriate high level of competence required to maintain the authority to perform operational tasks and functions. The maintenance of the endorsement (validity) of these personnel is also subject to the prescribed medical fitness.

The Company manages risks in this area by complying with and strictly implementing the regulatory requirements of national and European legislation and the Company's internal acts, including the prevention, elimination and control of occupational hazards, the information and training of workers, and the appropriate organisation and material resources. The Company has adopted a Safety Statement with a risk assessment of workplaces, including a professional health assessment, in accordance with which it implements all the prescribed measures in the field of occupational safety and health. The occupational health and safety system, together with the Company's safety system, also ensures that appropriate preventive measures are taken, that the prescribed training is provided (such as training in occupational health and safety and fire protection, training in working at heights and in working safely with electricity and hazardous substances) and that all employees are kept informed. It is also further supported by the implementation of the activities carried out by the Health Group, in line with the adopted Occupational Health Promotion Strategy, which focuses its activities in particular on raising awareness of a healthy and balanced diet, general physical activity and exercise in the working environment, prevention of work-related injuries, particularly in terms of ergonomic measures in the workplace, mental health care, stress prevention and management, and awareness and prevention of mobbing at the workplace. The Company also encourages employees to take care of their health by publishing various health-related articles and tips on the Company's portal.

The risks associated with the incompetence of operational staff are managed by the Company through competency schemes for Air Traffic Controllers (ATCOs), Air Traffic Safety Electronics Personnel (ATSEP), Air Traffic Management (ATM) and Aeronautical Information Management (AIM) personnel, which include pre-established processes and procedures for the reimbursement of competency to perform operational tasks.

Risks related to the development and investment in, and maintenance of, technical systems and installations for the performance of the Company's activities. This is a compound risk, which partly relates to new investment in technical systems and installations in accordance with the technological requirements arising from national legislation and the *Acquis Communautaire*, and partly to the operational risk represented by a major failure of one or more major technical systems and installations. The Company manages this risk through a number of measures, the most important of which are:

- planning new investments in technical systems and installations in an appropriate and timely manner;
- preventive maintenance and 24/7 monitoring of the operation of technical systems and installations and upgrades aimed at increasing the reliability of the operation of technical systems and installations in an economically and operationally viable manner;
- continuous development (including acquisition, maintenance and renewal) of the competences of technical staff for preventive and curative maintenance and monitoring of technical systems and installations for the Company's activities;
- limiting negative impacts by ensuring adequate redundancy for key components of technical systems and equipment, thereby reducing the time of unavailability of partial functionality and, in key cases, redundancy ("back up") of systems eliminates the time delay of unavailability of functionality for the provision of air navigation services;
- limiting the negative consequences by ensuring adequate reserve for key components of technical systems and installations, thus reducing the time needed to repair potential breakdowns and (at least in the short term) reducing dependency on equipment and installation suppliers;
- the partial part of the risk, which is conditioned by the dependence on equipment suppliers, the complexity of the systems and installations and their integration into the whole, which makes it impossible to change supplier quickly; the Company manages it through a safety management

system with control of suppliers or external contractors and the corresponding SLAs (Service Level Agreements), which define the technical details of the suppliers' response according to the critical nature of the parameter that establishes the risks related to the maintenance of the technical systems and installations.

In this risk group, a significant risk is the risk of failure of TEH1 and TEH2, which implies the simultaneous failure of ATM systems in redundant rooms TEH1 and TEH2, including RDD1 and RDD2, which in an extreme scenario could lead to the paralysis of the Company and, as a consequence, cause a significant loss of revenue for a prolonged period of time due to the failure of the redundant systems, as well as damage to the assets (devices, systems) themselves. In addition to the risk management measures for technical systems and installations listed above, the following measures are also relevant for managing this risk: fire-resistant barrier/wall between TEH1 and TEH2, TIER IV power distribution (highest level of redundancy and availability of operation), separate cooling systems, the duct under TEH1 and TEH2 which acts as a flood protection for the premises, established and periodically updated monitoring procedures in the System Monitoring and Control Centre, SLA with electricity distributors and for the maintenance of the uninterruptible power supply systems and auxiliary diesel electric generators, appropriate contingency procedures for air traffic controllers to deal with such situations (e.g., battery-operated radio stations), and agreements with neighbouring air traffic service units to deal with such situations, as well as appropriate liability insurances.

Security risks associated with a large number of facilities (including dispersed facilities): the Company must continuously assess and evaluate the security risks arising in its environment and, on the basis of these, coordinate its threat assessments and adapt its concept of integrated security accordingly. On the basis of appropriate security risk assessments, the Company is able to take preventive action and mitigate risks and potential damage or adverse events that could arise from unidentified and unaddressed security risks. Risk management is implemented through appropriate planning, investments and regular procedures to manage security risks. Within this group of risks, the Company has identified specific key risks in terms of potential negative impact, including; the risk of sabotage or vandalism, the risk of fire, and the risk of hybrid threats.

Sabotage or vandalism or other similar criminal acts in or on the Company's business premises may cause disruption to the provision of essential services, resulting in loss of revenue or damage to property, which may result in restoration costs. The Company manages the risk by protecting its facilities, systems and installations with physical and technical security systems, mechanical systems (e.g. fencing) and fire alarms, by ensuring the response of the intervention services in the event of detection of a harmful event, by remote monitoring of the operation of the systems, by raising awareness among employees and by taking out property insurance.

In a worst case scenario, a fire could have a significant negative impact on the Company's cash flow through damage to the Company's assets (although the Company has fire insurance, it would still suffer a liquidity shock in the short term), and in a worst case scenario, it could also result in the inability to operate or provide services for a period of time, with a consequent loss of revenue. In view of the possible consequences, the Company manages the risk through the following measures:

- adequate fire safety planning;
- providing appropriate fire safety training;
- carrying out appropriate preventive maintenance checks on technical assets, replacing worn parts as appropriate;
- early detection or fire detection systems;
- carrying out hot temperature work properly;
- contractually agreed responses of the intervention services (signal transmission from the fire alarm devices to the contractor's firefighting centre, e.g. GRS Kranj, connection through Infranet);
- 24/7 operation of the System Monitoring and Control (SMC) and the Security Control Centre (SCC) - rapid detection and localisation of a fire in the shortest possible time;
- having in place adequate property insurance.

The risk of hybrid threats is one of the most complex risks in the Company. The combination of the realisation of a physical threat, combined with the realisation of a cyber threat, either deliberately or accidentally, both at the wrong time, can bring a company's operations to a standstill for an extended period of time. The critical infrastructure of individual countries, which in the Republic of Slovenia includes the Company, is currently exposed to hybrid threats.

The Company's resilience to hybrid threats requires extensive horizontal coordination of all key stakeholders in the Company, good awareness and sensitisation, especially of middle managers, of the potential threats to their assets, and central management and direction of preventive action. The aim of preventive action is to achieve the best possible resilience to threats, both in terms of technical systems and (business) systems and processes in the Company, and to organise a system or a process that will identify early enough the indicators that point to the possibility of hybrid threats being realised. Also, the Company may not necessarily be the direct end-goal of the actors, but due to its involvement in the international environment and the importance of its service provision to the State or parts of its national security system, it can only be a "tool" to trigger the cascading effect of hybrid threats.

Requests for aerodrome control unit operating times at airports that are not justified from an economic point of view: the Company responds to these requests through an active dialogue with all stakeholders and by seeking appropriate solutions to optimise costs in the cost base in the terminal phase.

Safety management system requirements: the processes of the safety management system are in compliance with the regulations of the European Union and the Republic of Slovenia, standards, requirements and recommendations of international civil aviation organisations (ICAO, CANSO) and recommendations of organisations and associations working in the field of air traffic safety management. International and national regulations, standards, requirements and recommendations, as well as the good practices defined in regard to safety management, contribute to the Company's focus on efficiency, formality, transparency and economy of the safety management system processes, which in turn contributes to the highest possible level of safety in the provision of air navigation services. Achieving and ensuring compliance of the safety management system with applicable requirements and regulations and continuously improving the established processes is of key importance for the Company, as it is a condition for maintaining the validity of the licence (certificate) to conduct the Company's activities, in accordance with European legislation (Commission Implementing Regulation 2017/373/EU).

In accordance with the provisions of the Act on the Provision of Air Navigation Services, the Company, as an air navigation service provider, has in place the following insurance policies: insurance against (professional) liability with appropriate insurance cover, and property insurance against damage and destruction of systems, installations and facilities, as well as general liability insurance. All these risks are managed by the Company through an active air traffic safety management system. In addition, it manages the risk associated with compliance requirements for the safety management system through regular monitoring and compliance with applicable regulations and requirements, employee training, internal audits, monitoring of compliance with processes and documentation, and annual external audits to verify the effectiveness of the safety management system (Civil Aviation Agency of the Republic of Slovenia, EASA, Eurocontrol, CANSO).

Insurance risks: the Company's key risks include the risk of taking out an inappropriate insurance policy and the risk of claims not being settled. The risks include underwriting insurance contracts that do not cover all key insurable risks, failure to take into account the cost/benefit method and poor knowledge of the coverage of underwritten insurance contracts. The risk also includes non-compliance with insurance terms and conditions (failure to exercise due diligence). Related to this is the risk of incomplete claims records and ineffective enforcement of cover under insurance policies. The Company manages the risk by assigning custody of insurance contracts to a qualified responsible person, by periodically hiring external insurance experts to draft insurance terms and conditions and appropriate cover, and by having employees regularly report on claims occurrences and make claims/requests for good claims performance bonuses. Risk is also managed through an effective safety management system in place.

Cross-border liability risk: the Company also provides air traffic management and air traffic control services in cross-border areas in the airspace of neighbouring countries. Air traffic management and air navigation service providers of neighbouring countries also provide services in the airspace of the Republic of Slovenia ("cross border"). The provision of services is agreed in agreements with neighbouring providers (ANSPs), which define the limits of responsibility for the provision of services in airspace. The risk arises from inadequate agreements (undefined division of responsibilities, inadequate approval process), inadequate provision of services and damage caused by safety incidents in these areas.

The Company manages the risk through the provision of third party (professional) liability insurance for all areas (including cross-border) in which it operates, through the appropriate agreed delineation of liability of service providers within the airspace of the Republic of Slovenia and through the establishment of an effective safety management system.

Risk of one of the Company's customers being placed on the list of airlines banned from operating in the European Union (the air carrier blacklist): the European Commission regularly updates the list of airlines banned from flying in the European Union for failing to ensure passenger safety. According to the European Commission, 97 airlines are currently on the list of airlines banned from flying in the European Union for failing to meet safety standards.

The Company has not had such a case in the past, and the inclusion of one of the Company's customers on the black list may have an impact on the Company's revenues. The magnitude of this impact depends on the share of the individual carrier in the Company's revenues. Taking into account the structure and the origin of the blacklisted airlines, the likelihood of this risk occurring is assessed as negligible.

In addition to these measures, the Company minimises operational risks to an acceptable level by:

- ensuring sufficient financial resources are available to invest in new systems and that worn-out technical assets are updated regularly and in a timely manner;
- providing highly qualified professional staff to install and maintain technical assets;
- regular audits of the Company's processes to ensure or maintain its ISO 9001:2015 quality certification;
- regular and extraordinary inspections by the Civil Aviation Agency of the Republic of Slovenia;
- an annual regular independent audit of the Company's business, carried out by an audit firm appointed by the Founder.

6.4 INFORMATION RISKS

Information risks within the Company arise in the areas of business data management, business information systems and internal business processes. Information and information technology (IT) systems are an important support to the Company in the operations of the organisation and, given the nature of the Company's work, also an important support to the business processes of the Company's partners. The need for a clear information security strategy has increased significantly in recent years. It is no longer enough to use security tools and protect individual parts of the organisation. Truly tackling information security problems means ensuring a comprehensive corporate security strategy. To this end, the Company has set up a Cyber Security Department as a monitoring entity that both prescribes measures and verifies their implementation at the various levels of the organisation.

Information security covers many narrower areas: from network and infrastructure protection, application and database security, security testing, IT systems auditing, personal data protection and security, business continuity planning, to digital forensics and cybercrime prevention procedures. The main objectives of information security are to protect the confidentiality of information, to protect the integrity of information and to ensure the timely availability of information to authorised users (ISO 27000:2014).

The Company's primary objective in the area 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 misuse that could result in either a loss of service or damage to the Company or its related activities. Whereas in the past, information security objectives were defined mainly through IT measures, thereby reducing the number of solutions in use and increasing cost-efficiency, today a more holistic view from above is essential. IT assets are used in all areas of the Company's operations, and comprise both operational and business systems, even industrial systems and systems for shading or ventilating offices. Focusing solely on business information systems is therefore insufficient. In this respect, the Company's focus is on maintaining the Company's security policy, raising awareness among users and constantly monitoring new developments and potential attacks and abuses occurring in our neighbourhood and beyond. Thus, through the Cyber Security Department, the Company addresses all the elements of information security: confidentiality, integrity, availability, credibility, reliability, risk management and control.

Information security standards are an integral part of the Company's information system and are used as a protection factor at the organisational, physical and personal level. The main objective of information security is to ensure the security of data and information systems against unauthorised access, use, disclosure or destruction of data, regardless of its form. This includes ensuring the integrity of operational systems, regardless of the level of confidentiality of the data they process. Aviation information is often public or publicly available and thus can often be misinterpreted as irrelevant from an information security perspective. Historically, information security has been primarily concerned with the risk of disclosure of confidentiality or potential misuse in this context. In this way, most key operational systems were able to avoid a more serious consideration of cyber risks in the past, simply because of the nature of the

information they process, but at the same time these systems are the ones that enable the core business of the Company to be carried out and therefore need special attention.

The legal and organisational basis for this is information security and the related security policies that define the individual elements. To this end, the Company has started a revision of the overarching document of the Company's security policies, which contains, by segment, all the elements that prescribe or regulate the procedures, actions and rules related to the security of the information system.

The Company has been managing IT risks since 2016. In the process of identifying these risks, it addressed the disclosed risks by mitigating and limiting the realisation of risks in the period from 2016 to 2018. The difficulty in such an approach is posed by the cybercrime industry, as well as by the fact that the Company's business IT represents only a fraction of the systems that can be targeted by attacks. In more recent risk assessments (2018, 2019), it has become clear that the Company needs to institutionalise this area and cover in a unified way the updating of all changes that are implemented in the areas of IT systems. To this end, a Cyber Security Department has been created and placed within the change management systems in terms of procedure.

With the increase in cyber attacks against critical infrastructure and aviation in general, the Company pays particular attention to this area, and therefore, in addition to the risks identified in the past, cyber risks are also addressed in an integrated manner, together with their mitigation measures.

New IT support for work processes will be continuously introduced in all parts of the Company or existing ones will be upgraded. The Company will manage processes through appropriate organisation, the involvement of different areas of expertise, internal audit, due diligence and project management. The Company will ensure that its IT systems are functioning well in 2022, which means that there will be no major disruptions that would have a noticeable impact on the Company's operations, and to this end will extend the capabilities of the Disaster Recovery Centre to other areas of the Company's operations.

In 2022, the Company will continue to implement the intensive measures and changes to its information systems necessary to comply with the following legal instruments: 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 May 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 July 2016, p. 1), Critical Infrastructure Act and other binding legislation. To this end, it will reinforce the Company's infrastructure by providing software, hardware and security equipment with the integrated hardware and software in its facilities at remote locations. The Company will also continue its strategy of liaising with various IT experts and suppliers in the development of software in order to ensure adequate capacity for critical development needs. The Company will continue to implement large projects with new business services with IT experts, local IT suppliers and its own staff, thus maintaining the necessary expertise.

6.5 KEY RISKS AND THEIR IMPACT ON COMPANY'S BUSINESS IN 2021

In 2021, as well as in 2020, there were two key risk factors which affected the Company's operations, and which influenced the achievement of the Company's Annual Plan targets and goals; they are the impact of the traffic and inflation risk-sharing mechanism in 2019 (and 2018 in 2020) and the outbreak of the global COVID-19 pandemic.

The outbreak of the global COVID-19 pandemic, which has had an exceptional impact on the aviation sector, has shown that, due to direct and indirect effects through the realisation of other risks, the Company may be exposed to a very high risk in the event of the occurrence of such extreme external events, over which it has no direct control; significant negative effects on the Company's revenues and operating result and, consequently, its cash flow may be realised in the short-to-medium term through the loss of revenue due to lower traffic volumes. The scale and consequences of the existing pandemic (new variants of the virus and thus new waves with increasing numbers of infected and affected persons, availability of vaccine and vaccination rates), accompanied by negative economic consequences, with necessary government interventions in the economic environment, also had an impact on the demand for air transport in 2021 and thus on the speed of recovery of the aviation sector.

The occurrence of the COVID-19 pandemic external extreme event also increased the risk exposure of the Company's business in 2021, mainly in the area of financial risks (liquidity risk, credit risk and interest

rate risk) and in the area of strategic risks as a consequence of the changes in the regulations on the pricing of the Company's services (risks related to strategic planning and risks related to the setting of the new Union-wide performance targets) and the related risk-sharing mechanism (the adjustment mechanism). This mechanism is, as previously described, a consequence of the rules stemming from the provisions of Commission Implementing Regulations 390/2013/EU and 391/2013/EU (relevant for the second reference period of monitoring of the Union-wide performance targets in the 2015-2019 period), which determine the way national cost bases and thus unit rates are established as well as traffic and inflation risk-sharing mechanism. The impact of the adjustment mechanism on the rates and thus on the Company's revenues in 2021 was significant in the calculation of the unit rate for services.

The identified impact of the 2019 adjustment mechanism for the Company would have amounted to EUR 4.777 million if the 2021 traffic had been realised at the level of the traffic planned. Given that, due to the COVID-19 crisis, the 2021 traffic was significantly lower than planned, the identified impact of the adjustment mechanism for the Company on its 2021 performance was EUR 2.751 million. Therefore, without the impact of the adjustment mechanism, the sales revenue would have been EUR 2,751 million higher in 2021, and the loss would have been accordingly lower and performance indicators better. The unrecovered balances from the 2018 (EUR 1,656 million) and 2019 (EUR 2,026 million) adjustment mechanisms are taken into account in the unit rates for 2022 and 2023 and will further reduce revenue and profit.

In view of the negative impact of the COVID-19 phenomenon and the associated drop in air traffic in 2020 and 2021, the adoption of Commission Implementing Regulation 2020/1627/EU, by which the European Commission established a provisionally amended legal framework for the third reference period to take account of the emergency situation in the aviation sector and thereby adopted temporary emergency measures as a consequence of the COVID-19 pandemic, is of relevance to air navigation service providers. Pursuant to this Regulation, on 2 June 2021, the European Commission adopted the Commission Implementing Decision (EU) 2021/891 setting revised Union-wide performance targets for the air traffic management network for the third reference period (2020-2024) and repealing Implementing Decision (EU) 2019/903. As a result, the Member States were required to submit revised Performance Plans for the third reference period to the Commission for its assessment, which was also taken into account by the Company when preparing the Company's Business Plans for the 2022-2024 period (revised Business Plan 2020-2024 and Annual Business Plan 2022). In accordance with this requirement, the Performance Plan 2020-2024 for the Republic of Slovenia was submitted to the European Commission and was assessed as being in line with the targets. In terms of the impact of the adjustment mechanism on the Company's operations, the relevant provisions are those that change the adjustment period for the over/under recovery of the 2020 and 2021 funds relating to traffic, inflation and investment risk sharing so that they are not included in the calculation of the unit rate for the service in the year (n+2), but are spread evenly over the five-year period from 2023 to 2027. In terms of en-route flights, this translates into an amount of EUR 5.375 million per year, or a total amount of EUR 26.877 million over the five-year period.

The realisation of financial risks is linked to the realisation of other risks related to the negative impact of COVID-19 pandemic on the aviation sector and thus on the volume of air traffic, which is reflected in a decline in revenues and, with a high proportion of fixed operating costs, a significantly deteriorated liquidity situation and increased indebtedness of the Company. The uncertainty makes the Company particularly attentive to liquidity risk. In addition to regular weekly and monthly monitoring of traffic trends, monitoring of traffic forecasts by professional organisations (mainly Eurocontrol), monitoring of revenues, costs and taking measures to rationalise all operating costs, the Company manages its liquidity risk by taking out credit lines on the banking market. To ensure adequate liquidity, the Company has two short-term revolving credit facilities and a long-term facility to finance necessary investments in the 2020-2022 period, with a moratorium on principal repayments until February 2023. The long-term credit facility was taken out in the second half of 2020. Without the measures having been taken by the Company, the Company's ability to meet its obligations and thus its solvency would be jeopardised. Details of the Company's financial liabilities are disclosed in sections 3.2.10 Non-current financial liabilities and 3.2.11 Current financial liabilities.

The Company implemented measures to reduce operating costs in the areas of investment, services and supplies, and labour. The rationalised investment plan is included in the revised Performance Plan 2020-2024 for the Republic of Slovenia (2021). Due to the long-term loan contracted in 2020 to finance investments in the period from 2020 to 2022 for a period of 10 years, with principal deferred until 2023, the Company will monitor and manage its exposure to the risk of a significant change in interest rates more closely, despite the Euribor-linked interest rate. The Company pays additional attention to the regular monitoring of its capital adequacy.

In 2021, the Company continued to focus its activities on implementing measures to prevent the spread of SARS-CoV-2 infection within the Company and, as a consequence, to ensure the continuity of the Company's operations and its essential services. In the area of security, objectives were achieved in the areas of civil aviation security, critical infrastructure protection, fire safety, defence planning, protection of classified information and cooperation in the field of information security.

In view of all stated above, the Company was not able to realise its planned performance in 2021 and ended the year with a negative result.

In view of the general uncertainty regarding the evolution of the epidemic, the Company's efforts in 2022 will continue to be focused on ensuring that all necessary measures are in place to prevent the occurrence of infection among employees, in order to ensure the continuity of operations, to take all necessary measures to manage all other operational risks, to monitor actual traffic trends and new forecasts from relevant organisations, and to flexibly adjust all capacities, in particular human resources, to ensure the necessary capacity in the airspace under the Company's control.

An additional risk factor that the Company will pay particular attention to in 2022 is the outbreak of a military conflict between Ukraine and the Russian Federation, which has possible impacts on air traffic volumes and changes in air traffic flows and, consequently, on the Company's revenues in view of the sanctions (closure of airspace, a ban on flights and economic sanctions) mutually imposed by and between the European Union and the Russian Federation. These may have a negative impact on the recovery of the aviation sector due to the wider economic impact on the availability and rising prices of energy (in particular oil and other energy prices) and raw materials and the resulting general inflation and economic downturn (or even the emergence of stagflation).

The Company currently notes that the conflict does not (for the time being) have a significant impact on "normal" air traffic flows in Slovenian airspace, as these flows are not altered by the closure of Ukrainian airspace. As a result of the conflict in Ukraine and the deteriorated security situation, the Company has noticed an increase in cyber security risks and has taken appropriate additional measures. The Company has not yet identified any additional or new risks due to the changed geopolitical situation as a result of this crisis, as the risks in relation to the occurrence of the aforementioned military conflict have already been identified in the set of risks managed by the Company within the framework of the risk management system.

The Company monitors the situation, in particular air traffic data and Eurocontrol forecasts, and actively cooperates with the competent state authorities (Ministry of Infrastructure, Ministry of Defence and the Civil Aviation Agency of the Republic of Slovenia, Information Security Office of the Government of the Republic of Slovenia) in the preparation of legal bases and the adoption and implementation of measures in the field of aviation, which are also necessary for the implementation of the tasks of the Alliance in the framework of NATO.

7 SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

In accordance with the concept of corporate social responsibility, the Company aims to address all aspects of sustainable business - economic, social and environmental, which are integrated into the Company's business strategy - in a holistic way. The Company therefore considers the Company's impact on the wider economic environment in planning and implementing its activities, develops and promotes responsible attitudes towards its employees, customers and other stakeholders, and plans and monitors the Company's contribution to achieving its environmental objectives.

The Company's activities are guided by the following fundamental principles of corporate social responsibility and sustainable development:

- ethical and fair business practices;
- strengthening the competitiveness and development of aviation;
- fair, transparent and equitable treatment of its employees, users of its services and other stakeholders;
- responsible management of the environment and the environmental impacts of the Company's activities;
- a responsible attitude towards the local community and the wider social environment.

Corporate social responsibility and sustainable development are integrated throughout the Company's organisation and are mirrored in all its relationships and involve all stakeholders who have any interaction with the Company.

Code of Ethics

The Company is an important provider of services and ensures the safe and efficient flow of air traffic in the Republic of Slovenia. The provision of air navigation services as a core activity of the Company requires the continuous cooperation and education of all employees in achieving the Company's objectives, requires high business ethics and an understanding of the Company's common values and mission. The Company has therefore defined in its Code of Ethics the basic values of the Company, the principles of the relationship between the Company and its employees, and all areas of responsibility - the responsible attitude of the Company towards the Founder, the management's commitment to leading by example, the responsible attitude of the Company towards its employees and respect for human rights, the responsible attitude of its employees towards the Company, the responsible attitude of the Company towards its users of its services, partners and officials, the responsible attitude of the Company towards the wider social community, and the responsible attitude of the Company towards the general public and the media. The Code also contains provisions on the implementation of the Code, supervision, the Company's internal whistleblowing system (which is further defined in the Rules on the Company's internal whistleblowing system, i.e., Rules on the Internal Alert System on Irregularities and Illegalities) and further development.

The Company has identified and defined common values that guide all employees, are part of the organisational culture and form the basis of the Company's mission and vision. The relationship between the Company and its employees is therefore based on mutual:

- trust and fair cooperation;
- a shared recognition that it is in the interests of the Company and its employees to observe ethical and legal standards in business conduct;
- striving for a work environment that attracts highly skilled people;
- striving for equality regardless of race, nationality, gender, sexual orientation, religion, disability or age;
- striving for a working environment free from discrimination, harassment or repression;
- working towards an "open door" policy that gives employees access to the Company's management, and employees taking advantage of this opportunity;
- creating a performance-oriented culture for the benefit of the Company and its employees, with a competitive remuneration system and fair and objective monthly appraisals that take into account individual contributions to the achievement of objectives and the effective performance of the Company as a whole;
- 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 new Code of Ethics, in accordance with the applicable legislation, the Company has provided up-to-date guidelines for the conduct of all those who have any involvement with the Company, i.e. those who are employed by the Company, representatives of the management and supervisory bodies, business partners and users of its services, representatives of state and local authorities, various interest groups and the general public.

The Company recognises its responsibility to actively and consistently put into practice the fundamental principles and rules of the Code and to strive for its further development.

In addition, the position of the Compliance and Integrity Officer contributes to the enforcement and compliance with the principles and rules of the Code of Ethics and to the development of sustainable business, in particular in the area of compliance of the Company's business with binding regulations and internal acts, and in the management of compliance and integrity risks, handling reports of breaches of applicable regulations and internal acts in accordance with the internal act on the internal whistleblowing system, which was completely renewed in 2021, reporting, and providing information, awareness-raising, education and advice on strengthening integrity and compliance.

In 2021, no reports of alleged irregularities or illegalities were made or dealt with, which shows the high level of awareness and compliance with legal regulations and ethical behaviour of the Company's employees.

7.1 ECONOMIC ASPECTS OF THE COMPANY'S SUSTAINABLE OPERATIONS

The Company is a designated and certified provider of ATM/ANS - air traffic management and air navigation services, in accordance with Slovenian and European Single European Sky legislation. The Company has the status of a public undertaking, as it provides its core activity 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 SSH.

The Company is qualified to perform safe, quality and efficient air traffic management and control activities in all phases of aircraft flight and safe traffic flow at three public airports and a military-civilian airport, to provide aeronautical information services, to provide communication, navigation and surveillance services and services of automated systems in support of air traffic management, to upgrade, implement and maintain technical systems and facilities for air traffic management and control, and to train and ensure the competence of operational staff.

It draws on its expertise to accelerate the development of the air traffic sector by participating in national and international civil aviation organisations, and contributing to decisions in favour of the Republic of Slovenia. In cooperation with state authorities, 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 is also one of the participating segments in the control of Slovenian airspace.

As an important stakeholder in civil aviation, the Company contributes to the openness and connectivity of the Slovenian economy, the mobility of the population and the economic growth of the country, contributes to the competitiveness and development of aviation in Slovenia and in Europe, and to the achievement of Union-wide targets in the areas of cost-efficiency and price competitiveness, while taking into account all binding targets in the areas of safety, performance and the environment. The Republic of Slovenia is a member of the FAB CE, a functional airspace block aimed at participating in the defragmentation of airspace. The Company is very active in all FAB CE cross-border projects with the aim of improving airspace capacity and cost efficiency.

The Company's strategic orientation and objective is to contribute to the competitiveness and development of aviation in the Republic of Slovenia and beyond through:

- performance indicator targets for cost-effectiveness; and
- the indicator's target values in the area of capacity,

as set out in the Union-wide performance targets which have been established by the European Commission for each reference period monitoring such targets, and are defined in the Company's business plan. Significant risks related to the achievement of these targets are systematically addressed by the Company within the framework of its risk management system. A report on the achievement of the performance indicator targets is presented in section 2.1 Performance indicators.

7.2 SOCIAL ASPECTS OF THE COMPANY'S SUSTAINABLE OPERATIONS

In terms of the social impact of its operations, the Company considers and addresses issues of responsibility towards both employees and service users, which include in particular airlines, airports, state authorities, the Slovenian Armed Forces and the police, business partners and officials, as well as the Company's responsibility towards the local community and the wider environment in which it operates.

Observance of human rights in business

The Company further strengthened its corporate social responsibility by signing the Commitment to Observe Human Rights in Business by which it undertook to implement the relevant principles of the National Action Plan of the Republic of Slovenia on Business and Human Rights (hereinafter referred to as: "NAP"). The Company adopted the corporate Action Plan to implement the Commitment to Observe Human Rights in Business and appointed the Human Rights Officer. The Company has thus set in motion a programme of activities with deadlines defined in order to systematically develop the area of respect for human rights in business. This includes the following activities:

- placing respect for human rights among the Company's values or fundamental principles and relevant internal documents;
- raising awareness and educating managers and all staff on respect for human rights;
- setting up a complaints mechanism to address human rights violations;
- setting up and implementing human rights due diligence;
- reporting on human rights compliance (and due diligence) in the Company's annual report;
- promoting respect for human rights among business partners and finding common solutions and working with key stakeholders to advance respect for human rights in business.

In addition, the Company complies with the applicable data protection regulations in its relations with all the stakeholder groups listed above, where applicable.

Responsibility towards employees

The Company pays great attention to maintaining a respectful, creative and friendly working environment. Employee motivation, experience and knowledge, including the quality of interpersonal relations and the monitoring of new developments in the management of the Company, make an important contribution to fostering employee creativity, strengthen their sense of loyalty and enhance the positive daily pulse of the Company. The Company pays particular attention to the knowledge of its employees and is therefore committed to ensuring that all employees receive professional education and training. Fostering employee innovation is of particular importance to the Company, as employees contribute to the Company's performance through their own innovation, knowledge and experience.

Because of the importance of employees and their knowledge, the Company's strategic orientations and annual objectives include employee development, which must be systematic and targeted, and supported by modern approaches to human resources management. The Company's human resources function provides for job planning and recruitment (staffing plans), induction of new employees (established process for induction and transfer of information for new employees), education, training and development of employees (established process for systematic planning of education and training and monitoring of implementation), management development, remuneration system in line with applicable collective agreements and performance scheme, social dialogue, career development and key personnel management, occupational health and safety, and development of a common corporate culture. A key objective in the area of human resources is to ensure that the Company has a sufficient number of appropriately qualified staff to carry out its activities smoothly.

The Company also demonstrates its responsibility towards its employees by providing safe working conditions, motivation, praise and recognition for successfully completed projects, as well as through internal communication. Communication is positively linked to employee satisfaction and productivity, which is why the Company communicates and exchanges information in person, as well as in the spirit of fast electronic communication via Intranet and the Internet. In order to ensure a balance between work and leisure time, the Company enables employees to perform their duties efficiently both at work and at home. Through exemplary leadership and adherence to the Code of Ethics, the Company promotes, among other things, respectful and responsible behaviour by all employees towards their colleagues, customers and business partners. At the same time, the Company strives to maintain a work environment that attracts well-qualified employees. The Company involves all employees in the business process on

a non-discriminatory basis, so that each can contribute to the success of the Company in the area in which he or she is employed.

The Company encourages dialogue and socialising among colleagues through a variety of formal and informal gatherings that help to strengthen relationships through work, sports and social activities. The Company's management meets regularly, once a month, with representatives of the Works Council in order to strengthen the participation of employees in management and to work together to maximise business results and maintain good relations in the work process, decision-making process and for achieving Company's objectives.

Occupational safety and health 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 and 2021, special care was taken to raise awareness among employees to ensure strict compliance with the protective measures taken by the Company to prevent COVID-19 infection. To this end, the Company implemented all the prescribed protective measures, provided protective equipment and agents, and disinfected the surfaces and premises used.

The Company addresses and manages key employee risks systematically within its risk management system.

The Company will continue to provide a working environment that will have a positive impact on employee satisfaction. In order to facilitate work-life balance, the Company will endeavour, where and to the extent possible, to maintain the option of home working, which proved to be an appropriate and efficient way of working (in terms of organisation, cost-effectiveness and motivation) in 2020 and 2021. It will also monitor the state of employee relations and satisfaction by conducting employee satisfaction surveys and plan further improvement activities based on these results.

Responsibility to service users, partners and officials

The Company's services are focused on meeting the needs, legitimate requests and expectations of its users. Slovenia Controls meet the need for top quality services through professionalism, a commitment to new ideas, international networking and pricing of its services in line with European and national legislation.

Acting honestly and cooperating fairly with all business partners and officials is the Company's primary rule of conduct. The Company always takes into account transparency and fairness in the drafting of contracts and in cooperating on the basis of the contracts concluded. The Company, as the entity responsible for public procurement procedures, ensures compliance with the regulations and fundamental principles in this area. As liable party under the Public Information Access Act (Official Gazette of the Republic of Slovenia, No. 51/06 - Official Consolidated Text, 117/06 - ZDavP-2, 23/14, 50/14, 19/15 - Decree of the CC, 102/15 and 7/18), the Company treats requests from legal or natural persons in a non-discriminatory manner and complies with the provisions of this Act. At the same time, the Company strives to implement the fundamental principles and elements of the corporate integrity system.

The Company will continue to demonstrate its responsibility towards service users through various formal and informal forms of consultation with service users.

Responsibility towards the local community and the wider social environment

The Company is aware of its responsibility to both the local community and the wider society, and it supports various non-profit social activities, culture, sports and humanitarian projects, especially activities and events related to its core business, i.e., aviation. In this way, Slovenia Control wants to contribute to the further development of aviation in the Republic of Slovenia as an extremely important sector of the economy.

7.3 ENVIRONMENTAL ASPECTS OF THE COMPANY'S SUSTAINABLE OPERATIONS

The Company strives to be as environmentally responsible as possible when planning and implementing its activities and business operations, and takes into account the requirements of relevant regulations and standards in this area.

The Company recognises the important role it plays in reducing noise and greenhouse gas emissions, regardless of traffic growth. Therefore, it follows environmental standards by streamlining flight planning with regard to the procedure design, routes and reserved areas for the needs of the Ministry of Defence of the Republic of Slovenia. In cooperation with neighbouring air navigation service providers, it is working towards the expansion of the SECSI FRA area under the "free route" concept, which contributes to fuel savings and reduction in CO₂ emissions on a daily basis. The Company thus contributes to moving towards the objectives of a carbon-free society, reducing travel times and thus improving mobility. These efforts are consistent with the objectives of the Single European Sky, as demonstrated by the Company's contribution to the environmental performance indicator target. The Company therefore measures and monitors, as a key objective and indicator, the achievement of the environmental performance indicator target as set by the Union-wide performance targets established by the European Commission for each reference period and defined in the Company's business plan. Significant risks related to the achievement of these targets are systematically addressed by the Company within the framework of its risk management system. As mentioned above, a report on the achievement of the performance indicator targets is presented in section 2.1 Performance indicators.

The Company also contributes to the environmental objectives by investing in technologically advanced systems and equipment in line with the European regulations which define the requirements for the further technological development of ATM systems and equipment (European ATM Master Plan, SESAR). They will contribute to the efficiency of the European ATM network, optimise air routes, reduce travel times and further contribute positively to the reduction of the carbon footprint of air traffic. Therefore, the pursuit and implementation of technologically advanced solutions is also an important strategic focus for the Company, which is monitored through the implementation of investment plans and the management of risks in this area.

Energy efficiency (EE) and the use of renewable energy sources (RES) are topics that are part of the Company's everyday life and there are signs that a stable energy supply will be one of the major issues for the development of the Company as a whole. The Company's contribution to sustainable development is represented by the ATCC project, which has been designed in compliance with the prescribed environmental guidelines, both in terms of energy efficiency and other environmental impacts. The Company is systematically reducing its electricity consumption by installing technologically more advanced and efficient systems and equipment. The Company's contribution to sustainable development is also represented by the return to the grid of the electricity generated by the mandatory regular monthly testing of the DEA devices which are used to provide back-up power to the ATCC facility. The Company also uses modular components in its uninterruptible power supply systems, which allows it to optimise its electricity consumption (adapting the operation of the modules to the needs). In 2020, the Company secured a new electricity supply contract through a public procurement exercise which, in addition to the savings on the electricity price, ensures that in 2021 at least 50% of the electricity supplied is generated from renewable energy sources (RES) or from high-efficiency cogeneration (CHP) or from cogeneration based on renewable energy sources (green energy). The Company is also involved in a tertiary frequency regulation system. With its mandatory secondary power supply systems for the operational air traffic management and control systems, it forms a virtual power plant, which provides the Slovenian electricity grid with the capacity to produce 2 x 640 kW of electricity, which is produced in accordance with the current (daily) needs of the Slovenian electricity grid.

The Company monitors the performance of the systems and installations necessary for its core business, which also includes cooperation with external expert institutions. For example, the Company cooperates with the Institute for Non-Ionising Radiation to analyse the impact of its activities on the environment and human health, in particular the radiation from radar systems.

In addition to the above, the Company makes a positive contribution to environmental objectives in its business operations by operating predominantly electronically, which reduces operating costs and has a positive impact on the environment. Home working, which the Company switched to during the COVID-19 pandemic, also has a positive environmental (as well as cost) impact, as it reduces the need for commuting, which has a positive impact on traffic and thus on reducing pollution. The Company's procurement follows internationally recognised guidelines on energy efficiency and developments in energy and environmental management. As a party to public procurement legislation, the Company also follows the principles of socially responsible public procurement by including environmental and social considerations in its procurement.

The Company's activities do not involve the production of hazardous waste, and the activities do not generate more than 150 tonnes of waste or more than 200 kilograms of hazardous waste in total in a calendar year, which would require the preparation of a waste management plan. The Company reports to the Slovenian Environment Agency on waste generation and its handling and keeps records in accordance with the Decree on waste (Official Gazette of the Republic of Slovenia Nos. 37/15, 69/15 and 129/20).

As regards its development issues, the Company will continue to integrate the basic principles of social responsibility and sustainable business operations into its business activities in accordance with international and national regulations and standards, with fairness towards users of services and suppliers, and with care for nature and the environment in which it operates.

8 KEY PLANS FOR 2022 AND EXPECTATIONS FOR THE COMPANY'S DEVELOPMENT

In addition to the persistence of the global COVID-19 epidemic with its negative impact on the aviation sector, a new risk factor, the outbreak of war between Ukraine and the Russian Federation, will affect the recovery of air traffic and the global economic and security situation in 2022. In the face of increased risks, the Company's main focus and attention will be on ensuring the safe, uninterrupted and efficient provision of air traffic management and air navigation services in compliance with applicable Slovenian and European regulations and ICAO standards.

Air traffic safety management is essential to the business of air traffic management and control, and is the most important common objective of all business processes. To ensure the required level of safety in air traffic, the Company will carry out all activities in accordance with established Safety Management System (SMS) processes which are based on national and European regulations and standards and recommendations of international civil aviation organisations. In parallel, activities will also be carried out to continuously improve the individual and organisational safety culture based on the implementation of the recommendations of the analyses carried out in previous periods.

In accordance 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 constitutes the provisionally amended legal framework for the third reference period for monitoring the Union-wide performance targets, and Commission Implementing Decision 2021/891/EU setting revised Union-wide performance targets for the air traffic management network for the third reference period, the Company participated in the preparation of the revised Performance Plan 2020-2024 for the Republic of Slovenia (2021). This plan demonstrate Slovenia's compliance with and contribution to the achievement of the Union-wide performance targets. The Company took the new Performance Plan into account when preparing the Company's already adopted business plans, the revised Business Plan 2020-2024 and the Annual Business Plan 2022.

The Company will endeavour to operate to the extent required to meet air traffic demands, with minimum constraints and delays, and to ensure that performance targets are met in line with the Union-wide performance targets. In doing so, it will pursue such opening times policy at all international airports in the Republic of Slovenia so as to satisfy the requirements dictated by the traffic at these airports.

The high level of uncertainty about the effectiveness of the measures countries are taking to fight the pandemic is also reflected in the traffic forecasts for 2022. Actual traffic in 2022 is likely to be most affected by:

- the emergence of new virus variants and public attitudes and the effectiveness of vaccination,
- energy prices, especially oil, and the general economic situation,
- consumer confidence and demand for air travel, tourist destinations,
- the financial situation of carriers and air navigation service providers,
- ATC capacity in neighbouring countries (including on the South-East axis),
- technical changes in certain air traffic controls with an impact on traffic flows; and
- continuation of the military conflict in Ukraine and other extraordinary events (terrorist acts in the world, conflicts between countries).

Within the Air Traffic Services Department, the Company will continue to participate actively in the coordination and work of the South-East Axis group, which in the long term will contribute to better air traffic flow, and, consequently, to reduced air traffic delays in this part of Europe. In order to ensure sufficient sectoral capacity to meet the needs of the planned traffic, the Company planned the following projects or tasks to take place in 2021:

- opening up a fourth sector in line with traffic needs and requirements and available human resources; flexible use of sectorisation to ensure optimal planning of the use of sectors and human resources.

In order to achieve the planned objectives in 2022, the Company will implement all planned activities and take the necessary measures, including:

- ensure business continuity and secure service delivery and maintain business continuity plans,
- maintaining and further optimising and improving the technological infrastructure that enables the Company to achieve its operational objectives in the areas of safety, capacity and cost-efficiency;

- ensuring the health and professional development of staff and, in particular, ensuring that there is a sufficient number of suitably qualified operational staff in line with the needs of the Company and the requirements of European and national legislation;
- continuing the social dialogue to conclude a new enterprise-wide collective agreement;
- continuing to implement measures for the rationalisation of all operating costs according to the forecast traffic volumes and, as part of these measures, the optimisation of certain organizational 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 which are included in the terminal cost base, within the agreed operating hours of the airports;
- updating a system of compliance with the common requirements for the provision of air navigation services, which defines in a systematic formal and comprehensively documented manner the scope and manner of work and practices that are considered to constitute compliance by the Company with the common requirements for the provision of air navigation services that it performs;
- continuous internal monitoring of compliance with the requirements of relevant European legislation and the implementation of all activities required to maintain the validity of the certificate for air navigation service provider;
- following the guidelines for the development of the European airspace through successful international cooperation, especially in the field of regional cooperation within the FAB CE and the active participation of the Company as a company member of FABCE, d.o.o.;
- close cooperation with other FABs in the framework of GATE ONE, BLUE MED FAB, DANUBE FAB and FAB EC, and Inter-FAB meetings to develop common positions on proposals for changes to EU legislation;
- professional cooperation with the competent national authorities in the preparation of regulations in the field of the Company's activities.

The Company will strive to maintain its influential role in the FAB CE project, within which activities will continue to be carried out in line with the EAAS (European Airspace Architecture Study) and the strategy adopted in 2020 (FAB CE Strategy 2020 - 2030). The main objectives are included in the new edition of the strategy, and the most important strategic projects will be focused on optimising the airspace, through more intensive cross-border cooperation, and on optimising the regional infrastructure.

In the area of aeronautical telecommunications, the main activity will be to ensure the safety, reliability, availability and integrity of the building blocks of the functional ATM and operational system. This activity will be carried out primarily through continuous 24/7 technical monitoring of all these building blocks, secondarily through continuous periodic maintenance, and thirdly, through evolutionary maintenance, and (last but not least) by maintaining the competence of the technical staff who performs these three levels of activities.

In the area of communications, the full deployment of the Company's own microwave connections between its communication sites is planned, with the aim of increasing the availability and cost-effectiveness of the communications network. The completion of the project for the renovation of VHF radio stations in TWR Portorož, TWR Maribor and Janče is also planned.

As regards surveillance systems, the launch of the MAM project is planned, which will thus extend the multilateration system. Investments in the new WAM technology will reduce the number of surveillance systems in the long term (at least one old radar will be decommissioned), while ensuring independent coverage of Slovenian airspace in north-eastern Slovenia. In addition to the above, the following is planned in the field of aeronautical telecommunications:

- replacing most of the operational servers and installing "X-servers",
- replacing most LAN/WAN active network equipment,
- introducing new QAM application on new hardware for operational use at all airports in the Republic of Slovenia,
- replacing and upgrading ATIS hardware and software,
- upgrading RCSE equipment for the control of navigation systems in the Republic of Slovenia; and
- continuing the DME/DME project.

In the area of aeronautical information services, the Company considers ensuring compliance with the requirements of Commission Implementing Regulation 2017/373/EU to be one of the most important tasks. Equally important will be ensuring 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 with Eurocontrol NM has been established and is in place to make a transition of the Company and the ADMT system (AIXM 5.1) to EAD SDD by means of a direct transfer of aircraft data between the two systems. The envisaged implementation date is 8 September 2022. This data is the basis for the operation of the NM functions. All aviation data to be provided by the Company is currently in electronic format, stored abroad in the EAD (European AIS Data Base).

AMATIS UA workstations are being set up in the offices of the Meteorological Service at airports under the responsibility of the Environment Agency of the Republic of Slovenia. With the establishment of AMATIS UA workstations, the Slovenian Environment Agency will be able to send messages with attachments, mainly meteorological data and image files, via the AMHS system.

The AFTN/AMHS upgrade and ADMT upgrade projects (AIM Portal - Phase 1) will be completed in 2022.

In 2019, the Certification, Project Management and Operational Training Department already accelerated the training of two of its employees under the IANS NSA programme, which will provide new skills and consequently broaden the scope of the department's activities in accordance with the requirements of Commission Implementing Regulation 2017/373/EU. The coronavirus epidemic - which has been ongoing for two years - is a critical constraint to achieving this objective. In 2021, it has become clear that the alternative for achieving competency of these two persons cannot guarantee the same effectiveness as the otherwise planned training, and therefore this training will be accelerated in 2022, within the realistic possibilities in the context of the epidemiological constraints.

In the area of training of operational staff within the Flight School, it is planned to train existing operational staff to acquire new competencies in line with the needs of the individual operational sectors. At the system level, the development of a systemic arrangement for the implementation of training processes for operational staff is being pursued. In addition to the regular training programme, the Flight School is planning to deliver completely new training programmes in 2022 on team building, critical incident consequence management, pedagogical training for operational instructors and emergency training.

In 2022, the Company will continue its activities on the SWIM Common Public Key Infrastructure & Cybersecurity (SWIM PKI & CS) project and will continue the implementation of the ADaaS2 project as one of the Company's most important projects.

In the area of the ISO 9001 quality management system, it is planned to continue with the project to renew the documentation on the management system and to continue the planned activities in the area of risk management in 2022. Also in 2022, it is planned to carry out an internal audit in accordance with the requirements of the ISO 9001 standard and to carry out an external certification audit with an accredited accreditation body.

The measures and activities described above will continue to ensure, in the long term, a high quality, flexible and cost-effective performance of the Company's activities, which will be geared towards the overriding objective of ensuring a high level of air transport safety, with an appropriate contribution to reducing the negative environmental impacts of the activities. Taking into account the forecasts and volume of actual air traffic, the development of the COVID-19 pandemic and the impact of the military conflict in Ukraine, as well as the general economic situation, the Company will strive to ensure the continuity of its operations and smooth business in 2022, by controlling all operating costs and securing the necessary sources of funding.

II ACCOUNTING REPORT

1 INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT (Translation from the original in Slovene language)

To the Shareholder of
SLOVENIA CONTROL, SLOVENIAN AIR NAVIGATION SERVICES, LIMITED

Opinion

We have audited the financial statements of Slovenia control, limited (the Company), which comprise the statement of financial position as at December 31, 2021 and the income statement, statement of other comprehensive income, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the company Slovenia control, limited as at December 31, 2021, and its financial performance, comprehensive income and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted in EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 (hereinafter the »Regulation«). Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IEASBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the *Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements*, including those related to these matters. Therefore, the audit comprised the performance of the procedures designed to respond to our assessment of the risks of material misstatement in the separate and the consolidated financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the accompanying separate and consolidated financial statements.

Revenue recognition

Key audit matter:

Revenue from sale in 2021 amounted EUR 21.065.028 (2020: EUR 15.457.515 EUR). Revenue from sale comprise mainly from two revenue streams - navigation services provided to the overflight traffic over Slovenia and terminal air navigation services. Revenues are recognized based on unit price in EUR, determined on the basis of pre-budgeted costs, planned annual turnover of overflights, incoming and

Our audit approach

Our audit approach consisted of:

- Acquaintance with applicable regulations, accounting policy regarding the revenue recognition from the contracts with customers and assessment of compliance with IFRS as adopted in EU.
- Testing the design and implementation of internal controls in the process of revenue recognition from contracts with customers and from the point of view

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 Okrožno sodišče v Ljubljani, vi.št. 1/26892/00, osnovni kapital: 9.736,66 EUR, matična št.: 5913691, ID št. za DDV: SI94637920.



outgoing flights and actual amount of chargeable units of services.

The rates for overflights are regulated based on a special mechanism, where the price is defined based on planned number of overflights and inflation, whereby unit price is confirmed by European union. Commission implementing regulation (EU) No 2020/1627 on exceptional measures for the third reference period (2020-2024) of the single European sky performance and charging scheme due to Covid-19 shall be followed, taking into account that 2020-2021 calendar years shall be treated as a single period.

Since revenue is one of the key performance indicators followed by the Management, we determined revenue recognition as a key audit matter.

of preventing errors and fraud.

- Checking the appropriateness of the timing of revenue recognition from the contracts with customers in the correct accounting period, based on the supporting documentation.
- Accuracy of recognized revenues from the contracts with customers based on a sample.
- Review of adequacy of disclosures according to IFRS, as adopted in EU, which are disclosed in the notes Revenues from sales of services performed disclosed as part of Key accounting policies, the note 3.2.15 Income from contracts with customers, 3.2.24 Application of IFRS to the recognition of surplus revenue due to the effect of the adjustment mechanism on future revenue in accordance with European Union regulations and 3.2.29 Contingent liabilities and contingent assets.

Other matter

Financial statements of the company Slovenia control, limited for the year, ended as at December 31, 2020 were audited by another auditor, who issued an unmodified opinion as at April 20, 2021.

Other information

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

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to these procedures we report on the following:

- Other information is consistent with audited financial statements in all respect
- Other information is prepared in line with regulatory requirements and
- Based on our knowledge and understanding of the company and its environment, obtained during the audit, no material inconsistencies were found in relation to other information.

Responsibilities of Management and Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, as adopted in EU, 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 Supervisory Board is responsible for overseeing the Company's financial reporting process and the approval of the 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 ISAs 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 ISAs, 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.
- Communicate with the management 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 communicate with the Supervisory Board and the Audit Committee, among other matters, the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

We also provide the Supervisory Board and the Audit Committee 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, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT OF OTHER LEGAL AND REGULATORY REQUIREMENTS

Other reporting obligations as required by EU Regulation No. 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's Rreport, which is required in addition to the requirements of International Standards on Auditing:



Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders at the General Shareholders' Meeting held on September 29, 2021 for the financial years 2021 - 2023. Chairman of the Supervisory Board signed the engagement letter on October 1, 2021. We have been performing the statutory audit of financial statements for the first year. Engagement partner responsible for the audit on behalf of BDO Revizija d.o.o. is Maruša Hauptman, certified auditor.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate and the consolidated financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on May 9, 2022.

Prohibited Services

We confirm that we have not performed any prohibited services referred to in the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council. We declare that we ensure our independence from the Company and Group.

Other Audit Services

In addition to the statutory audit services and services disclosed in the annual report and separate and consolidated financial statements, we have not provided any other services for the Company.

Ljubljana, May 9, 2022

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(Signature on original Slovene independent auditor's report)

Maruša Hauptman,
Certified auditor



2 FINANCIAL STATEMENTS

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

2.1 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

ASSETS		Notes	31 Dec 2021	Restated as at 31 Dec 2020	Restated as at 1 Jan 2020
Non-current assets			23,851,217	25,615,757	27,345,080
I.	Intangible assets and non-current prepaid expenses and accrued revenue	3.2.1.	2,016,179	1,722,282	1,589,579
1.	Non-current software, licences, trademarks and other rights		1,829,348	1,604,557	1,513,347
2.	Other non-current assets		186,831	117,725	76,232
II.	Property, plant and equipment	3.2.2.	21,534,330	23,524,840	25,434,444
1.	Land and buildings		15,314,988	15,623,167	16,385,660
2.	Other devices and equipment		5,880,944	7,370,599	8,785,641
3.	Property, plant and equipment in acquisition		338,398	531,074	263,143
III.	Investment property		0	0	0
IV.	Non-current financial investments	3.2.3.	16,000	16,000	16,000
V.	Non-current operating receivables				
V.	Deferred tax assets	3.2.4.	284,708	352,635	305,057
Current assets			5,804,741	6,714,636	12,346,544
I.	Inventories	3.2.5.	467,413	517,941	636,428
II.	Current financial investments		0	0	0
III.	Current operating receivables	3.2.6.	4,465,710	5,439,018	5,835,996
1.	Current trade receivables due from customers		3,790,012	3,449,164	4,945,809
2.	Current prepaid income tax			493,690	
3.	Current operating receivables due from others		157,844	1,055,444	890,187
4.	Other current receivables and other assets		517,854	440,720	
IV.	Cash and cash equivalents	3.2.7.	871,618	757,677	5,874,120
TOTAL ASSETS			29,655,958	32,330,393	39,691,624

EQUITY AND LIABILITIES		Notes	31 Dec 2021	Restated as at 31 Dec 2020	Restated as at 1 Jan 2020
Equity		3.2.8	4,940,951	12,043,497	26,472,669
I.	Called-up equity		5,525,706	5,525,706	5,525,706
II.	Capital reserve		0	0	0
III.	Revenue reserve		552,571	4,816,359	16,421,435
1.	Statutory reserve		552,571	552,571	552,571
2.	Other revenue reserve			4,263,788	15,868,864
IV.	Fair value reserve		74,730	-34,240	61,737
V.	Retained earnings or losses		0	1,735,672	2,171,234
VI.	Net loss for the period		-1,212,056	0	
	Provisions and non-current accrued expenses and deferred revenue	3.2.9	2,710,555	2,747,493	2,532,126
1.	Provisions for retirement benefits and similar liabilities		2,710,555	2,747,493	2,532,126
	Non-current liabilities		9,379,155	5,851,699	2,714,496
I.	Non-current financial liabilities	3.2.10	9,379,155	5,851,699	2,714,496
II.	Non-current operating liabilities		0	0	0
III.	Deferred tax liabilities		0	0	0
	Current liabilities		12,625,297	11,687,704	7,972,333
I.	Current financial liabilities	3.2.11	8,193,654	7,173,652	2,305,400
II.	Current operating liabilities		4,431,643	4,514,052	5,666,933
1.	Current trade payables	3.2.12	1,426,639	1,540,797	2,346,166
2.	Other current operating liabilities	3.2.13	1,716,667	1,686,986	2,483,452
3.	Corporate income tax payable		0	0	68,985
4.	Other current payables	3.2.14	1,288,337	1,286,269	768,330
	Total liabilities		22,004,452	17,539,403	10,686,829
	TOTAL EQUITY AND LIABILITIES		29,655,958	32,330,393	39,691,624

The notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.2 INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

		Notes to Financial Statements	2021	2020
A	INCOME FROM CONTRACTS WITH CUSTOMERS	3.2.15	21,065,028	15,457,515
1.	Income from contracts with customers in the Republic of Slovenia		873,482	866,782
2.	Income from contracts with customers in the EU		20,190,476	14,589,623
3.	Income from contracts with customers abroad		1,070	1,110
B	OTHER OPERATING INCOME	3.2.16	3,159,677	2,093,677
C	OPERATING EXPENSES		31,289,610	31,880,590
1.	Cost of materials and services	3.2.17	5,981,804	5,558,208
(a)	Cost of goods sold		0	0
(b)	Cost of materials		370,614	542,934
(c)	Cost of services		5,611,190	5,015,274
2.	Labour costs	3.2.18	20,198,784	20,753,231
(a)	Wages and salaries		15,783,538	15,774,751
(b)	Pension contribution expense		1,399,592	1,658,713
(c)	Social security contribution expense		1,895,287	1,894,706
(e)	Other labour cost		1,120,367	1,425,061
3.	Write-offs	3.2.19	3,540,760	3,982,605
(a)	Depreciation and amortisation		3,490,625	3,905,304
(b)	Revaluation operating expenses relating to tangible and intangible fixed assets		3,742	43,435
(c)	Revaluation operating expenses relating to current assets		46,393	33,866
4.	Other operating expenses	3.2.20	1,644,258	1,482,922
5.	Impairment and reversal of impairment of financial assets (net amount)	3.2.19	-75,996	103,624
D	FINANCE INCOME	.	3	31
1.	Interest income		3	7
2.	Finance income relating to operating receivables due from others		0	24
E	FINANCE COSTS	3.2.21	107,804	113,883
1.	Finance costs relating to financial liabilities		99,151	79,185
2.	Finance costs relating to operating liabilities		8,653	34,698
F	TOTAL PROFIT (LOSS)		-7,172,706	-14,443,250
G	CORPORATE INCOME TAX EXPENSE	3.2.22	67,927	-47,578
1.	Current income tax expense		0	0
2.	Deferred tax expense		67,927	-47,578
H	NET (LOSS) FOR THE PERIOD		-7,240,633	-14,395,672

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

2.3 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR 2021

		2021	2020
A	Net (loss) for the period	-7,240,633	-14,395,672
B	Other comprehensive income	108,970	-95,977
B.1	Items to be recognized in Income Statement	0	0
B.2	Items not to be recognized in Income Statement	108,970	-95,977
	B.2.1. Restatement of post-employment benefits after tax	108,970	-95,977
C	Total comprehensive income for the reporting period	-7,131,663	-14,491,649

The notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.4 STATEMENT OF DISTRIBUTABLE PROFIT FOR 2021

		2021	2020
A	Net profit for the period	-7,240,633	-14,395,672
B	Retained earnings	1,764,789	2,790,596
C	Increase in revenue reserves	0	0
D	Decrease in statutory reserves	0	0
E	Decrease in other revenue reserves	4,263,788	11,605,076
F	DISTRIBUTABLE RESERVES	0	0
G	NET LOSS CARRIED FORWARD	-1,212,056	0

The notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.5 CASH FLOW STATEMENT FOR 2021

	2021	2020
A Cash flows from operating activities		
(a) Income statement items	-3,574,280	-10,458,792
Operating income (excluding revaluation) and finance income relating to trade receivables	24,224,705	18,359,594
Operating expenses excluding depreciation, amortisation and revaluation and finance expenses relating to financial liabilities	-27,798,985	-28,818,386
b) Changes in net current assets (including accrued expenses and deferred income, prepayments and accrued income, provisions, deferred tax assets and deferred tax liabilities)	874,800	-469,627
Movement in trade receivables	838,754	396,978
Movement in deferred tax assets	67,927	-47,578
Movement in inventories	50,528	118,487
Movement in payables	-82,409	-937,514
Movement in corporate income tax payable	0	0
c) Net cash inflow/(outflow) from operating activities (a + b)	-2,699,480	-10,928,419
B Cash flows from financing activities		
(a) Cash receipts from investing activities	3	31
Interest and dividends received	3	31
b) Cash payments for investing activities	-1,305,126	-2,331,780
Payments to acquire intangible assets	-300,468	-624,072
Payments to acquire property, plant and equipment	-1,004,658	-1,707,708
c) Net cash inflow/(outflow) from investing activities (a + b)	-1,305,123	-2,331,749
C Cash flow from financing activities		
(a) Cash receipts from investing activities	4,525,000	8,825,000
Cash inflows from increase in non-current financial liabilities	4,525,000	8,825,000
b) Cash payments for investing activities	-406,456	-681,275
Interest payments relating to financing activities	-63,434	-34,492
Interest payments relating to leases	-44,370	-44,693
Repayment of financial liabilities	-298,652	-602,090
Dividends and other profit distributions paid	0	0
c) Net cash inflow/(outflow) from financing activities (a + b)	4,118,544	8,143,725
D Cash at the end of the period	871,618	757,677
x) Net cash inflow/(outflow) for the period	113,941	-5,116,443
y) Cash at the beginning of the period	757,677	5,874,120

The notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

2.6 STATEMENT OF CHANGES IN EQUITY FOR 2021

	Share capital	Statutory reserve	Other reserves	Fair value reserve	Retained net profit	Net profit for the period	Total
A.1	Balance as at the end of previous year period						
	5,525,706	552,571	4,263,788	-34,240	1,735,672	0	12,043,497
	Prior period adjustments						
	0	0	0	0	0	0	0
A.2	Opening balance for the period						
	5,525,706	552,571	4,263,788	-34,240	1,735,672	0	12,043,497
B.1	Changes in equity						
	0	0	0	0	0	0	0
(a)	Dividends approved or paid						
	0	0	0	0	0	0	0
B.2.	Total comprehensive income for the period						
	0	0	0	108,970	29,117	-7,240,633	-7,102,546
(a)	Net profit for the reporting period						
	0	0	0	0	0	-7,240,633	-7,240,633
(b)	Other items of total comprehensive income for the reporting period						
	0	0	0	108,970	29,117	0	138,087
B.3	Changes in equity						
	0	0	-4,263,788	0	-1,764,789	6,028,577	0
(a)	Allocation of part of the net profit from the previous year period based on a resolution of the Management and Supervisory Boards						
	0	0	-4,263,788	0	-1,735,672	6,028,577	29,117
(b)	Allocation of the net profit from the current period based on a resolution of the Management and Supervisory Boards						
	0	0	0	0	-29,117	0	-29,117
(c)	Other changes in equity						
	0	0	0	0	0	0	0
C.	Closing balance for the period						
	5,525,706	552,571	0	74,730	0	-1,212,056	4,940,951

2.7 STATEMENT OF CHANGES IN EQUITY FOR 2020

	Share capital	Statutory reserve	Other reserves	Fair value reserve	Retained net profit	Net profit for the period	Total
A.1	Balance as at the end of previous year period						
	5,525,706	552,571	15,868,864	61,737	435,562	2,292,557	24,736,997
	Prior period adjustments						
	0	0	0	0	1,735,672	0	1,735,672
A.2	Opening balance for the period						
	5,525,706	552,571	15,868,864	61,737	2,171,234	2,292,557	26,472,669
B.1	Changes in equity						
	0	0	0	0	0	0	0
(a)	Dividends approved or paid						
	0	0	0	0	0	0	0
B.2.	Total comprehensive income for the period						
	0	0	0	-95,977	0	-14,395,672	-14,491,649
(a)	Net profit for the reporting period						
	0	0	0	0	0	-14,395,672	-14,395,672
(b)	Other items of total comprehensive income for the reporting period						
	0	0	0	-95,977	0	0	-95,977
B.3	Changes in equity						
	0	0	-11,605,076	0	-435,562	12,103,115	62,477
(a)	Allocation of part of the net profit from the previous year period based on a resolution of the Management and Supervisory Boards						
	0	0	0	0	-498,039	0	-498,039
(b)	Allocation of the net profit from the current period based on a resolution of the Management and Supervisory Boards						
	0	0	-11,605,076	0	0	12,103,115	498,039
(c)	Other changes in equity						
	0	0	0	0	62,477	0	62,477
C.	Closing balance for the period						
	5,525,706	552,571	4,263,788	-34,240	1,735,672	0	12,043,497

The notes to the financial statements form an integral part of financial statements and should be read in conjunction with them.

3 ANNEX TO 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 Corporation (*Slovenska odškodninska družba, d. d.*), acting on behalf of the Founder and sole company member, i.e., the Republic of Slovenia, since 1 January 2013, the Slovenia Control 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 have also been taken into consideration in the preparation of the financial statements.

Basis of measurement

These financial statements were prepared under the going concern assumption using the historical cost convention as the basis for measurement.

Functional and presentation currency

The financial statements are presented in Euros (EUR), which is the functional and presentation currency of the Company.

Basis of preparation

The financial statements are presented in Euros (EUR), excluding cents. Rounding to nearest Euro may give rise to rounding differences.

Fair value

All items in the financial statements are stated at their carrying amount.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset to its fullest and best use or by selling it to another market participant that would use the asset to its fullest and best use.

Slovenia Control (hereinafter also referred to as: “the Company”) has applied valuation methods that are appropriate under the given circumstances and for which sufficient data are available, using above all the appropriate market data and relying as little as possible on non-market data.

Trade receivables and loans receivable

The value of trade receivables and loans receivable is calculated as the present value of future cash flows, discounted at the market interest rate at the end of the reporting period.

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 interest rate applied at the end of the reporting period.

All assets and liabilities, which are disclosed at fair value in the financial statements, are categorised according to the fair value hierarchy based on the type of data required to measure the total fair value:

1. the first level – market prices (unadjusted) in active markets for identical assets or liabilities;
2. the second level – a valuation model which is directly or indirectly based on market data;
3. the third level – a valuation model which is not based on market data.

At the end of each reporting period, Slovenia Control 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 measurement data that is pertinent to the measurement of the fair value.

Accounting policies applied, changes in accounting estimates and errors

The accounting policies used by Slovenia Control for the current period and the prior period presented in the accompanying financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The aforementioned accounting policies have been applied for both years presented, unless indicated otherwise.

Correction of errors

Material errors from prior periods are corrected retrospectively in the first financial statements authorised for issue after the errors are identified. The errors are corrected by restating the comparative amounts of assets, liabilities and all related components of equity of the prior period presented.

During the period, an accounting error was identified in the recognition of receivables from Eurocontrol:

1. Slovenia Control is financed by revenues from en-route and terminal charges paid by airlines. The cost of services provided is charged to the airlines by Eurocontrol, the European Organisation for the Safety of Air Navigation, which in turn remits the funds to Slovenia Control for the services provided.
2. For the purpose of establishing the cost base of the Company, the costs of the following entities - Slovenia Control, the Civil Aviation Agency of the Republic of Slovenia (as the national supervisory authority) and the Slovenian Environment Agency (for aviation meteorology services) - are included in the total cost base of the Republic of Slovenia, in accordance with the following legal acts: Multilateral Agreement Relating to Route Charges (Act Ratifying the Multilateral Agreement Relating to Route Charges, Official Gazette of the Republic of Slovenia - International Treaties, No. 11/95), Commission Implementing Regulation 2019/317/EU, the Decree implementing Regulation 2019/317/EU and the Eurocontrol Guidelines, as well as the Principles for determining the cost base of route charges and calculating the unit rate of the service. The identified costs relating to the provision of air navigation services include the costs of labour, material and other operating, amortisation and depreciation and costs of capital, which are incurred in the provision of air navigation services during the en-route phase and are financed by route charges. Considering the Decree governing the terminal charges, these principles also reasonably apply to the determination of a terminal cost base. In this case, the identified costs of terminal air navigation services are financed by terminal charges. The unit rate of the service (a charge) is determined on the basis of the projected costs and traffic volumes for the following year. Any deviations of actual from planned income are taken into account in the calculation of charges in two years' time according to a specified formula, taking into account the risk and incentive sharing mechanism (hereinafter referred to as: the "adjustment mechanism").
3. Pursuant to the provisions of the Companies Act and the resolution of the Management Board of the Slovenian Compensation Corporation (*Slovenska odškodninska družba, d. d.*), acting on behalf of the Founder and sole company member, the Republic of Slovenia, since 1 January 2013, Slovenia Control 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.
4. Based on the reconciliation of receivables and payables as at 31 December 2021, which was carried out by and between the Company and Eurocontrol, an accounting error was identified, dating from the period when Slovenia Control switched to a different method of recording receivables and income. This is because Slovenia Control switched from IAS to IFRS as of 1 January 2014, adopting a new accounting policy for the recognition of receivables and income, according to which in January of each financial year it recorded income and receivables for December of the previous year and adjusted them in December of the same year in accordance with accruals-based accounting. As a result, the current year's income was correctly recorded in all previous years except for the year of transition when income and receivables for the last month before the transition were omitted in error.

ASSETS		Balance as at 1 Jan 2020 before correction	Error correction 1 Jan 2020	Restated balance as at 1 Jan 2021
A.	Non-current assets	27,345,080	0	27,345,080
I.	Intangible assets and long-term deferred costs and accrued revenues	1,589,579	0	1,589,579
II.	Property, plant and equipment	25,434,444	0	25,434,444
IV.	Long-term financial investments	16,000	0	16,000
V.	Deferred tax assets	305,057	0	305,057
B.	Current assets	10,610,872	1,735,672	12,346,544
I.	Inventories	636,428		636,428
III.	Current operating receivables	4,100,324	1,735,672	5,835,996
1.	Current trade receivables due from customers	3,210,137	1,735,672	4,945,809
IV.	Cash and cash equivalents	5,874,120		5,874,120
	TOTAL ASSETS	37,955,952	1,735,672	39,691,624
EQUITY AND LIABILITIES		As at 1 Jan 2020 before correction	Error correction 1 Jan 2020	Restated balance as at 1 Jan 2021
A.	Equity	24,736,997	1,735,672	26,472,669
I.	Called-up equity	5,525,706	0	5,525,706
II.	Revenue reserve	16,421,435	0	16,421,435
IV.	Fair value reserve	61,737	0	61,737
VI.	Net profit or loss for the period	2,728,119	1,735,672	4,463,791
B.	Provisions and non-current accrued expenses and deferred revenue	2,532,126	0	2,532,126
C.	Non-current liabilities	2,714,496	0	2,714,496
I.	Non-current financial liabilities	2,714,496	0	2,714,496
D.	Current liabilities	7,972,333	0	7,972,333
I.	Current financial liabilities	2,305,400	0	2,305,400
II.	Current operating liabilities	5,666,933	0	5,666,933
	TOTAL EQUITY AND LIABILITIES	37,955,952	1,735,672	39,691,624

5. The correction of the accounting error mentioned will be included in the current tax return.

APPLICATION OF NEW AND REVISED IFRS STANDARDS AND IFRIC INTERPRETATIONS

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 were adopted by Slovenia Control for the annual periods starting on 1 January 2020. They are presented below.

Initial application of new amendments to existing standards applicable in current reporting period

The following new Standards, amendments to existing Standards and Interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply to the current reporting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reference Interest Rate Reform – Phase 2. The amendments define matters arising from the implementation of the Reference Interest Rate Reform (IBOR Reform) and include the replacement of one measure ('benchmark') by another. For financial instruments measured at amortised cost, as a practical expedient, the amendments require an entity to apply guidelines referred to in IFRS 9, Paragraph B5.4.5, such that the change in the basis for determining the contractual cash flows is applied prospectively by revising the effective interest rate. Consequently, changes would not result in an immediate recognition of a gain or loss. This practical expedient applies if and only if the change is necessary as a direct consequence of interest rate benchmark reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e., the basis immediately preceding the change). IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting

for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate).

- Extension of amendments to lease terms related to COVID-19 (Amendments to IFRS – 16 Leases), effective for periods beginning on or after 1 June 2020, with retrospective application permitted. The Amendment, which was first adopted in May 2020, permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications as otherwise defined in IFRS 16. However, in doing so, certain criteria have to be met. These are: a) the revised consideration for the lease remains substantially the same as or less than the consideration for the lease before the modification; b) any reduction in lease payments affects only payment originally due on or before 30 June 2021; and c) there is no other substantive change to the other terms and conditions of the lease. In March 2021, the IASB extended the duration of the amendment from 30 June 2021 to 30 June 2022. This amendment is effective for reporting periods beginning on or after 1 April 2021.

A lessee has the option to elect to apply this practical expedient and apply it consistently to all leases with similar characteristics and in similar circumstances. This practical expedient does not apply to lessors.

- Amendments to IFRS 4 – Insurance Contracts – Temporary Exemption from IFRS 9, effective in the EU from 1 January 2021.

The adoption of other new standards and amendments of existing standards and notes did not have any significant impact on the financial statement of Slovenia Control.

Standards and amendments to existing standards issued by the IASC and adopted by the EU but are not yet effective

As of the day of approval of these financial statements, IASC issued the following amendments to existing standards which have been adopted by the EU but are not yet effective.

For the reporting period starting on 1 January 2022, the following amendments shall enter into force:

- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37) – Provisions, Contingent Liabilities and Contingent Assets. The changes refer to the interpretation that when an entity assesses an onerous contract, the cost of fulfilling a contract comprises the costs that relate directly to the contract.
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16 – Property, plant and equipment — proceeds before intended use). Proceeds from selling items before the related item of property, plant and equipment (PPE) is available for use can no longer be deducted from the cost of PPE and should be recognised in profit or loss together with the costs of producing those items. In doing so, the entity will need to distinguish between the costs associated with producing and selling items before the item of PPE is available for use as well as the costs associated with making the item of PPE available for its intended use.
- Annual Improvements to IFRSs 2018 — 2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41). Annual Improvements contain the following amendments to IFRS – IFRS 1 – First-time Adoption of International Financial Reporting Standards, which simplifies the adoption of IFRS for a subsidiary as a first-time adopter; amendments to IFRS 9 – Financial Instruments, which clarifies which fees an entity includes when it applies the ‘ten per cent’ test for the derecognition of financial liabilities; the amendment to Illustrative Example accompanying IFRS 16 – Leases; and IAS 41 – Agriculture, where the amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset, where the fair value corresponds to the definition referred to in IFRS 13.
- Reference to the Conceptual Framework (amendments to IFRS 3 – Business Combinations relating to an updated reference to the 2018 Conceptual Framework and introducing new recognition and measurement exemptions under IFRS 3 to ensure that the new reference does not change the determination of which assets and liabilities qualify as business combinations).

For the reporting period starting on 1 January 2023, the following amendments shall enter into force:

- Disclosure of accounting policies (Amendments to IAS 1 and IFRS 2 Statement of Practice). IAS 1 contains two amendments - an amendment relating to the presentation of current and non-current liabilities and an amendment relating to the disclosure of accounting policies. In January 2020, IASB issued amendments to IAS 1 that clarify the criteria used to determine whether liabilities are classified as current or non-current. The amendments specify that the classification of a liability as current or non-current is based on whether, at the end of the reporting period, an entity has the right to defer

settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that “settlement” includes the transfer of cash, goods, services or equity instruments, unless the obligation to transfer the equity instruments arises from a conversion option that is a separate component of a compound financial instrument. The amendments were initially effective for annual reporting periods beginning on or after 1 January 2022, but in May 2020 the effective date was delayed to annual reporting periods beginning on or after 1 January 2023. The amendment to IAS 1 relating to disclosure of accounting policies introduces the disclosure of substantive, rather than just significant, accounting policies and provides guidance on when information relating to an accounting policy is substantive.

- Definition of accounting estimates (Amendments to IAS 8). The amendments introduce a new definition for an accounting estimate and include other changes to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendment will also clarify that the effect of a change in inputs or measurement techniques is a change in an accounting estimate unless it results in a correction of a prior period error.
- IFRS 17 – Insurance Contracts.

The adoption of other new standards and amendments of existing standards and notes did not have any material impact on the financial statements of Slovenia Control.

New standards and amendments to existing standards issued by the IASC and yet to be adopted by the EU

Currently, IFRS as adopted by the EU do not differ significantly from standards adopted by IASC with the exception of the following new Standards and amendments to the existing Standards which become effective for the reporting period beginning on 1 January 2023:

- Deferred tax relating to assets and liabilities arising from a single transaction (Amendments to IAS 12). The amended IAS 12 clarifies whether the initial recognition exemption applies to certain transactions that are recognised as both an asset and a liability (e.g., such as a lease under IFRS 16). The amendment introduces additional criteria for the initial recognition of exceptions under IAS 12.15, where the initial recognition exception does not apply to an asset or liability that gives rise to the same taxable and deductible temporary timing differences at the time of the transaction.
- Amendments to IFRS 17– Insurance Contracts, First-time Adoption of IFRS 17 and IFRS 9 – Comparative Information.

Slovenia Control expects that the introduction of these new standards, and the amendments to the existing standards should not have any material impact on the Slovenia Control’s financial statement in the transition period.

USE OF ESTIMATES AND JUDGEMENTS

The management's estimates include, inter alia, the determination of the useful life and residual value of property, plant and equipment and intangible fixed assets, valuation allowances for inventories and receivables, assumptions relevant for actuarial calculations relating to certain employee benefits and the assumptions included in the calculation of provisions for litigation, as well as the assumptions and estimates for the impairment of goodwill. Although the management carefully considers all the factors that may affect these assumptions, it is possible that the actual effects of business events differ from those estimated. 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.

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

Measuring obligations for defined benefits (Note 3.2.9)

Defined benefit pension obligations constitute the present value of post-employment benefits and jubilee awards. They are recognised on the basis of an actuarial calculation approved by the management. The actuarial calculation is based on 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 turnover estimate, mortality and salary growth estimates. 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, Slovenia Control 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 Slovenia Control'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

The 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 a 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, Slovenia Control 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 Slovenia Control by Eurocontrol are appropriate and in accordance with IFRS.

Leases

Slovenia Control applied the following accounting judgements that significantly affect the determination of the value of right-of-use of certain assets as well as lease liabilities.

- *Identification of a lease contract* - Slovenia Control 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 lease term* - Slovenia Control determines the lease term as the period during which the lease cannot be terminated, together with:
 - a) the period for which the option to extend the lease applies, if it is reasonably certain that the option will be exercised;
 - b) the period for which the option to terminate the lease applies, if it is reasonably certain that the option will not be exercised.

In most cases, the lease term is specified in the lease contract. If the contractual period is not specified in the contract, Slovenia Control assesses the lease term based on the estimated need for the use of a relevant asset, taking into account the plans and long-term business policies of the Company.
- *Determining the discount rate* – the discount rate is determined as the interest rate at which Slovenia Control can obtain comparable assets on the market with a comparable maturity.

Impairment test of non-current non-financial assets

Information about significant estimation uncertainties and critical judgements made by management in the process of implementing the accounting policies that have the most significant effect on the amounts recognised in the financial statements was used in the assessment of the recoverable amount of non-current non-financial assets.

Key judgements

Slovenia Control prepared its financial statements for the period under review and for the previous year period in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and, in view of its specific business, has carefully considered 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 March 2009, p. 5) (hereinafter referred to as: "Commission Regulation No. 254/2009/EC").

In the Scope section (paragraph 5), IFRIC Interpretation 12 provides guidance to operators and sets out the conditions for entering into a public-to-private service concession agreement 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, entitlement to benefits or otherwise – any significant remaining share in the infrastructure at the end of the arrangement period.

The Slovenia Control's management concludes that fixed assets are recognised as property, plant and equipment in the financial statements, because the conditions for applying Commission Regulation (EC) 254/2009 to recognise the assets under the 'model' of financial assets or intangible assets, depending on the service concession arrangement, are not met.

Foreign currencies

Transactions and balances denominated in a foreign currency are converted into Euros (EUR) (the Company's functional currency) at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into Euros (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. Exchange differences are recognised in the Income Statement, except for differences arising on the reconversion of available-for-sale equity instruments, which are recognised directly in the Statement of 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.

KEY ACCOUNTING POLICIES

Property, plant, and equipment

Impairment test of non-current assets (IAS 36)

Due to a significant deterioration in financial performance in 2021 as a result of the COVID-19 pandemic, Slovenia Control re-tested the impairment of property, plant and equipment as at 31 December 2021, which was already performed as at 31 December 2020. The impairment test involves determining the recoverable amount of the cash-generating units 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 Slovenia Control expects to derive from each cash-generating unit.

The Company applies IAS 36 in measuring the assets of a cash-generating unit. In accordance with IAS 36, Slovenia Control estimates the recoverable amount that is greater than:

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

IAS 36 provides that when one of values identified above exceeds the carrying amount of an asset, the other value need not be assessed because the asset is not impaired. The valuation of the assets of the Company's cash-generating unit was based on the value in use at 31 December 2020, which was higher than the carrying amount of the assets.

To test whether Slovenia Control should impair non-current assets, the impairment of non-current assets were retested as at 31 December 2021, in accordance with IAS 36. The test showed that the value of non-current assets' CGU (cash-generating unit) is not lower than their carrying amount as at 31 December 2021, which is why no impairment of non-current assets was required. (See also Note 3.2.2)

Property, plant and equipment are stated 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.

Subsequent expenditure

Slovenia Control 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.

Depreciation and amortisation

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 in the process of acquisition are not depreciated.

The estimated useful lives (for the current and previous year 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 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, Slovenia Control assesses whether the arrangement is or contains a lease. An agreement is a lease agreement or contains a lease when the right to control the use of a certain assets is transferred for a certain period of time in return for a compensation.

Slovenia Control 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

Slovenia Control 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 ownership of the underlying leased asset is transferred to Slovenia Control 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, Slovenia Control 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 an entity is reasonably certain to exercise that option, and the payments of any penalties for terminating the lease, if the lease contract allows the entity to exercise this option.

A variable component of lease payments 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.

Slovenia Control 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 adding accrued interest and decreases

by subtracting all lease payments made. The carrying amount of the lease liability is reassessed in the event 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.

Slovenia Control 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

Slovenia Control uses the recognition exemption for the 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 respect of the 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 an expense 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. Lease 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 lease income. Contingent leases are recognised as income in the period in which they are earned.

Intangible assets

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

Subsequent expenditure

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.

Depreciation and amortisation

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 year 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. Slovenia Control 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 initial recognition, Slovenia Control classifies assets at amortised cost. Upon initial recognition the classification of financial assets depends on the characteristics of contractual cash flows 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 Slovenia Control 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 - FVTPL) increased by transaction costs. 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 provisions of IFRS 15.

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

Subsequent measurement

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

As at 31 December 2021, the Company only had financial assets at amortised cost.

Financial assets at amortised cost (debt instruments):

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

- the Company holds a financial asset as part of its 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 the 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.

Derecognition

Slovenia Control 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 the Company if:

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

When transferring its right to receive cash flows from the asset or when adopting a transitional arrangement, the Company assesses whether and to what extent it has retained the risks and rewards of ownership. If the Company neither transferred nor retained most of the risks and rewards of the asset and did not transfer the asset, then it continues to recognise the transferred asset to the extent of its continuing involvement in the asset. In this case, the entity 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

Slovenia Control 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 (FVTPL). 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, Slovenia Control 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, Slovenia Control 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, 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. The recognised impairment loss of a cash-generating unit is first allocated so as 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, which consist of scriptural money as call deposits in bank accounts and cash items in the process of collection, are disclosed at face value and measured at amortised cost.

Financial liabilities

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

Loans received and granted

This group is the most important item of financial instruments of Slovenia Control. 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, using the effective interest rate method of amortization. The amortised cost is calculated by 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. Effective interest rate amortisation is recognised in the Income Statement as a financing cost. This group usually includes interest-bearing loans granted and received.

Financial assets and financial liabilities are offset, and the net difference is 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.

Slovenia Control'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).

Similarly, business values are measured at amortised cost.

Trade payables

Operating liabilities represent amounts due to suppliers for purchased goods and services, liabilities to employees for work performed, liabilities to providers of funds relating to interest and similar items, tax liabilities to the government, including value added tax, and liabilities arising from the distribution of profits.

Derecognition

A 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 creditor under substantially different conditions, or the terms of an existing obligation change significantly, such a 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.

Current employee benefits

Current employee benefit obligations are measured on an undiscounted basis and are expensed as and when the related service is provided.

Non-current employee benefits

Provisions for post-employment benefits and jubilee awards

Slovenia Control is required by law to pay jubilee awards and post-employment benefits to its employees, for which provisions are established. Slovenia Control has no other pension-related liabilities.

Provisions are made in the amount of the estimated future payments for post-employment benefits and jubilee awards discounted on the reporting date for employees in countries where the law requires the payment of post-employment benefits and jubilee awards. The calculation is based on the costs of post-employment benefits and the costs of all expected jubilee awards 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 awards, also in the Income Statement. The assumptions are clarified in 3.2.9.

Provisions

Provisions are recognised if an entity 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. Slovenia Control 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 a customer in an amount reflecting the consideration that an entity considers will be justified in return for these services.

Amounts in contracts

Assets from Contracts with Customers

Assets from contracts represent the right to compensation in exchange for services transferred by the Company to the buyer. If the Company performs a service for a customer before the buyer pays the consideration or before the payment is due, the consideration is recognised as a contingent liability from the contract. Slovenia Control has no assets from contracts with customers.

Operating receivables

A receivable represents an entity'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 with Customers

Liabilities from contracts represent the obligation to perform services for a customer in exchange for the payment received by an entity from the customer (or the customer is obliged to settle the liability). If the customer pays before the service is performed, 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 customer and the Company fulfil their performance obligation under the contract.

Government grants

Revenue from government grants is initially recognised where a reasonable assurance exists that an entity will receive the grant and comply with the conditions attached to it. Income 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 represent state aid in respect of the reimbursement of employees' salary compensation, exemption from social security contributions, etc. Slovenia Control

recognises government grants relating to income under other operating income and not as a reduction in associated costs. They are recognised as income over the periods necessary to match them with the associated costs which they are intended to cover. They are recognised when there is a 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 receive a grant (e.g., there is a possibility of the grant becoming repayable if the conditions are not fulfilled), the amount of the grant received is stated as deferred income until the fulfilment or non-fulfilment of conditions is determined.

Financial income and financial expenses

Interest income is recognised under and accrual basis, i.e., when it is earned, using the effective interest method.

Financial expense 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 expense 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 applicable at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax assets

Deferred tax assets are recognised in 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 be reversed 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 applicable 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 2021, Slovenia Control applied the tax rate of 19%, the same as in 2020.

3.2 NOTES TO FINANCIAL STATEMENTS

All notes refer to 2021, unless indicated otherwise. Monetary units in the tables are expressed in Euros (EUR), excluding cents.

3.2.1 Intangible assets

2021

	Software, licences, trademarks and other rights	Other intangible assets	Total
Cost			
Balance as at 1 Jan 2021	2,944,208	568,844	3,513,052
Additions – new purchases	300,466	106,432	406,898
Transfer from PPE	432,371		432,371
Disposals	-20,707	0	-20,707
Increase	0	0	0
Balance as at 31 Dec 2021	3,656,338	675,276	4,331,614
Accumulated depreciation and impairments			
Balance as at 1 Jan 2021	1,339,651	451,119	1,790,770
Depreciation and amortisation	508,046	37,326	545,372
Disposals	-20,707	0	-20,707
Balance as at 31 Dec 2021	1,826,990	488,445	2,315,435
Net book value			
Balance as at 1 Jan 2021	1,604,557	117,725	1,722,282
Balance as at 31 Dec 2021	1,829,348	186,831	2,016,179

In 2021, significant new purchases relating to software, licences, trademarks and other rights include the upgrade of the FDPS system, the upgrade of the Albatross system, the purchase of the Automated Cyber Defence System and the purchase of the Automated Penetration Testing System.

The proportion of fully amortised intangible assets in relation to the cost balance as at 31 December 2021 amounted to 21.63%. As at 31 December 2021, Slovenia Control had no commitments for the purchase of intangible fixed assets.

2020

	Software, licences, trademarks and other rights	Other intangible assets	Total
Cost			
Balance as at 1 Jan 2020	2,624,361	487,163	3,111,524
Additions – new purchases	542,391	81,681	624,072
Disposals	-222,544	0	-222,544
Increase	0	0	0
Balance as at 31 Dec 2020	2,944,208	568,844	3,513,052
Accumulated depreciation and impairments			
Balance as at 1 Jan 2020	1,111,014	410,931	1,521,945
Depreciation and amortisation	409,881	40,188	450,069
Disposals	-181,244	0	-181,244
Balance as at 31 Dec 2020	1,339,651	451,119	1,790,770
Net book value			
Balance as at 1 Jan 2020	1,513,347	76,232	1,589,579
Balance as at 31 Dec 2020	1,604,557	117,725	1,722,282

3.2.2 Property, plant and equipment

2021

	Land	Buildings	Buildings – contribution in kind 2013	Buildings – long-term leases	Buildings in development	Equipment	Equipment – long-term leases	Equipment in acquisition	Small tools and other equipment	Total
Cost										
Balance as at 1 Jan 2021	221,680	16,919,691	61,839	2,927,528	181,247	35,922,423	291,235	349,827	69,757	56,945,227
Additions – new purchases	0	24,545	0	324,724	3,970	424,189	0	650,687	734	1,428,849
Disposals	0	0	0	0	0	-288,863	0	0	-1,717	-290,580
Transfer into use	0	143,217	0	0	-143,217	271,745	0	-271,745	0	0
Transfer to Intangible Assets	0	0	0	0	0	0	0	-432,371		-432,371
Balance as at 31 Dec 2021	221,680	17,087,453	61,839	3,252,252	42,000	36,329,494	291,235	296,398	68,774	57,651,125
Accumulated depreciation and impairments										
Balance as at 1 Jan 2021	0	3,957,811	29,408	520,352	0	28,763,456	87,038	0	62,322	33,420,387
Depreciation and amortisation	0	517,057	2,012	281,596	0	2,115,495	64,349	0	2,736	2,983,245
Disposals	0	0	0	0	0	-285,123	0	0	-1,715	-286,838
Balance as at 31 Dec 2021	0	4,474,868	31,420	801,948	0	30,593,828	151,387	0	63,343	36,116,794
Net book value										
Balance as at 1 Jan 2021	221,680	12,961,880	32,431	2,407,176	181,247	7,158,967	204,197	349,827	7,435	23,524,840
Balance as at 31 Dec 2021	221,680	12,612,585	30,419	2,450,304	42,000	5,735,666	139,848	296,398	5,431	21,534,330

The proportion of fully amortised of PPE in relation to the cost balance as at 31 December 2021, amounted to 28.83%.

In 2021, the most important acquisitions included:

- continued investments in technical systems and installations in order to provide the necessary technical and technological modernisation of the systems;
- the continuation of the Slovenia Wide Area Multilateration System (WAM) project;
- investment and maintenance works at Ljubljana Brnik Control Tower;
- the continuation of the project "SWIM Common PKI and policies & procedures for establishing a trust framework";
- continued activities to establish a comprehensive AIS portal;
- upgrading ground-to-air voice radio stations;
- the procurement of WAN/LAN infrastructure network equipment;
- the upgrade of the power supply system to the ATCC Brnik office building;
- the renovation of the electrical installations and power supply infrastructure at AD Maribor; and
- the investments in the information technology (IT).

As at 31 December 2021 there were no commitments to purchase PPE.

Slovenia Control has no pledged PPE nor are assets acquired under finance leases pledged.

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

2020

	Land	Buildings	Buildings – contribution in kind 2013	Buildings – long-term leases	Buildings in development	Equipment	Equipment – long-term leases	Equipment in acquisition	Small tools and other equipment	Total
Cost										
Balance as at 1 Jan 2020	221,680	16,773,322	61,839	3,056,085	0	35,090,412	106,394	263,143	67,213	55,640,088
Additions – new purchases	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 into use	0	0	0	0		0	0	-1,286,094	0	-1,286,094
Accumulated depreciation and impairments for 2020	0	0	0	-128,557		0	0	0	0	-128,557
Balance as at 31 Dec 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 depreciation and impairments										
Balance as at 1 Jan 2020	0	3,452,951	27,395	246,920	0	26,392,859	22,800	0	62,719	30,205,644
Depreciation and amortisation	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
Balance as at 31 Dec 2020	0	3,957,811	29,408	520,352	0	28,763,456	87,038	0	62,321	33,420,386
Net book value										
Balance as at 1 Jan 2020	221,680	13,320,371	34,444	2,809,165	0	8,697,553	83,594	263,143	4,494	25,434,444
Balance as at 31 Dec 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

Due to the significant deterioration in financial performance in the 2020 and 2021 as a result of the COVID-19 pandemic, on 31 Dec 2020, Slovenia Control, with the assistance of an independent chartered business valuer, carried out a Non-Current Asset Test, that is an Asset Value Assessment of the Cash Generating Unit as at 31 December 2020, which showed there are no indications of impairment.

The Company performed an impairment test of PPE, or an asset valuation of the cash-generating unit, as at 31 December 2021. The impairment test involves determining the recoverable amount of the cash-generating unit of all or individual assets, which corresponds to their value in use or fair value less costs to sell. The value in use is the present value of the future cash flows that Slovenia Control expects to derive from each cash-generating unit. The estimated value of non-current assets exceeded their carrying amount and therefore no impairment was required as at 31 December 2021.

Leases

Slovenia Control as lessee

Slovenia Control leases real estate, vehicles and office and other equipment for its operations. The lease term for immovable property ranges from five to thirty years and for motor vehicles and equipment from one to five years. The payment of the lessee's obligations under the lease is secured by the lessor's ownership of these assets. In connection with a number of lease agreements, the Company has the option to extend or terminate the lease and the right to pay a variable portion of the lease, which is described in more detail below.

Slovenia Control has lease agreements for some equipment with a lease term of one year or less and also leases low-value office equipment. The Company uses the exemption allowed by the Standard to recognise liabilities for short-term leases and leases of low-value assets.

Movement in the carrying amount of rights-of-use assets during the period

	Opening recognition as of 1 Jan 2021	Increase in 2021	Decrease in 2021	31 Dec 2021
ASSETS				
The right-of-use leased assets	2,611,373	324,724	345,945	2,590,152
Total assets	2,611,373	324,724	345,945	2,590,152
EQUITY AND LIABILITIES				
Non-current liabilities				
Finance lease payables	1,851,699	324,724	297,268	1,879,155
Current liabilities				0
Finance lease payables	298,652	293,654	298,652	293,654
Total equity and liabilities	2,150,351	618,378	595,920	2,172,809

In 2021 Slovenia Control increased liabilities for right-of-use assets in the Statement of Financial Position by EUR 324,724 and decreased the lease payables by EUR 297,268.

Assets relating to long-term leases increased by EUR 324,724 and decreased by EUR 345,945 as a result of depreciation charges.

The payments for long-term leases amounted to EUR 297,268 and payments for smaller leases amounted to EUR 239,804.

Total recognised in the Income Statement

	31 Dec 2021	31 Dec 2020
Amortisation of the right of use	345,945	337,669
Small lease expenses	239,804	232,057
Operating profit/(loss)	585,749	569,726
Expenses from financing activities	54,762	44,693
Total recognised in the Income Statement	640,511	614,419

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). This includes FABs on the basis of operational requirements and which are established regardless of state boundaries, where the provision of air navigation services and related services is performance-driven and optimised with a view to enabling enhanced cooperation between air navigation service providers in each functional airspace block. In order to meet this obligation, on 5 May 2011, Austria, Bosnia and Herzegovina, the Czech Republic, Croatia, Hungary, Slovakia and Slovenia signed a multilateral agreement, precisely the Agreement on the Establishment of the Functional Airspace Block Central Europe (the "FAB CE Agreement") at Brdo pri Kranju. The said Agreement entered into force on 20 March 2012 (on 3 August 2012 for the Republic of Slovenia), and thus, the Functional Airspace Block Central Europe (the "FAB CE") was established. At the same time, the air navigation service providers from these Member States signed the FAB CE Air Navigation Service Provider Cooperation Agreement (the "ANSP Cooperation Agreement"), and on 30 May 2011 they also signed the National Supervisory Authority Cooperation Agreement.

In accordance with the decision of the CEO Committee (CEOC), which consists of CEOs of the air navigation service providers, and in order to strengthen the collaboration them and satisfy the requirements of the Single European Sky legislation, the FAB CE air navigation service providers, except BHANSA, established a joint venture company: FABCE, letalske storitve, d. o. o. (*FABCE, Aviation Services, Ltd*) with its registered office in Zgornji Brnik. This company was registered in the Business Register of the Kranj District Court on 17 November 2014. Slovenia Control has a non-current investment in FABCE, letalske storitve, d. o. o. of EUR 16,000, representing a 1/6 stake in the newly founded company. The investment is measured at cost.

3.2.4 Deferred tax assets

Slovenia Control recognised deferred tax assets on the basis of a calculation of its long-term provisions for jubilee awards and post-employment benefits and provisions for unutilised annual leave.

2021

	31 Dec 2020	Increase	Decrease	31 Dec 2021
Jubilee premiums	19,992	1,547	0	21,539
Retirement benefits	241,021	22,148	0	263,169
Annual leave allowance	91,622	0	91,622	0
TOTAL	352,635	23,695	91,622	284,708

The effects of deferred taxes in the amount of EUR 67,927 were recognised in the Income Statement.

2020

	31 Dec 2019	Increase	Decrease	31 Dec 2020
Jubilee premiums	18,913	1,079	0	19,992
Retirement benefits	221,640	19,381	0	241,021
Annual leave allowance	64,504	27,118	0	91,622
TOTAL	305,057	47,578	0	352,635

3.2.5 Inventories

Slovenia Control's inventories mainly consist of vital spare parts for its radar systems. Inventories are measured at cost upon initial recognition. Slovenia Control uses the inventory impairment method, recognising impairments for inventories that have not moved for more than 1 year at 5% of their cost at the end of each accounting period. Inventory write-downs are disclosed in 3.2.19.

	31 Dec 2020	Purchases	Utilization	Impairment	31 Dec 2021
Spare parts	517,941	1,405	23,872	32,613	462,861
Goods held for sale	0	4,552	0	0	4,552
TOTAL	517,941	5,957	23,872	32,613	467,413

3.2.6 Current operating receivables

	Gross as at 31 Dec 2021	Impairment	Carrying amount as at 31 Dec 2021	31 Dec 2020
Receivables due from domestic customers	212,775	9,381	203,394	187,351
Receivables due from foreign customers	4,857,254	1,270,633	3,586,621	1,526,141
Receivables due from state institutions	157,841	0	157,841	1,549,134
Other assets	517,854	0	517,854	440,720
TOTAL	5,745,724	1,280,014	4,465,710	3,703,346

Other operating receivables represent current deferred costs for the membership fee paid to Eurocontrol.

Movements in bad debt provision

	2021	2020
Balance as at 1 Jan	1,356,010	1,252,386
Impairment during the period (net amount)	-75,996	103,624
Recoveries of written-off receivables (net amount)	0	0
Final write-off (elimination) of receivables	0	0
Balance as at 31 Dec	1,280,014	1,356,010

A doubtful debt provision of EUR 1,280,014 was created for trade receivables. Slovenia Control reviewed whether the impairment for trade receivables is appropriate and concluded that it is appropriate, adequate and in accordance with IFRS 9 (see Note 3.2.19).

Aging of trade receivables (following their impairment)

	31 Dec 2021	31 Dec 2020
Outstanding receivables	3,784,026	1,693,586
Receivables due up to 30 days	0	1,775
Receivables due up to 90 days	0	3,770
Receivables overdue by more than 90 days	5,989	14,361
TOTAL	3,790,015	1,713,492

3.2.7 Cash and cash equivalents

	31 Dec 2021	31 Dec 2020
Nova Ljubljanska banka, d. d.	38,334	84,025
SKB banka, d. d.	9,066	264
Banka Intesa Sanpaolo, d. d.	461,271	670,003
UniCredit Banka Slovenija, d. d.	362,947	3,385
TOTAL	871,618	757,677

3.2.8 Equity

Slovenia Control ended the financial year of 2021 with a loss of EUR 7,240,633. During the reporting period, the Company identified an accounting error in the recognition of the Eurocontrol receivable in the amount of EUR 1,735,672 and increased the Eurocontrol receivable as well as increased the net profit transferred to equity accordingly.

Pursuant to Article 66(5) of the Companies Act (ZGD-1), the net loss for the financial year in the amount of EUR 7,240,633 shall be covered by the net profit carried forward of EUR 1,764,789, which comprises the profit carried forward from the adjustment of receivables of EUR 1,735,672 and actuarial gains of EUR 29,117. After offsetting the net profit carried forward of EUR 1,764,789 against the net loss for the financial year 2021, the remaining net loss for the financial year 2021 amounts to EUR 5,475,844.

Pursuant to Article 11, Paragraph 2, Indent 5 of the Article of Association, following a proposal from the Supervisory Board and the Management Board of Slovenia Control, the Founder decided to utilize in full other revenue reserves of EUR 4,263,788 to cover the net loss for the financial year, so that, as at 31 December 2021, other reserves amounted to EUR 0 and the balance sheet loss to EUR 1,212,056.

In 2021, the Slovenia control's equity decreased, and, as at 31 December 2021, amounted to EUR 4,940,951, and comprised called-up capital, statutory reserves and fair value reserves.

3.2.9 Provisions and non-current accrued expenses and deferred revenue

2021

	Jubilee premiums and post-employment benefits	Litigations and compensations	Other provisions	Other accrued expenses and deferred revenue	Total
Balance as at 1 Jan 2021	2,747,493	0	0	0	2,747,493
Creation	166,307	0	0	0	166,307
Reversal	-203,245	0	0	0	-203,245
Transfer to current items	0	0	0	0	0
Balance as at 31 Dec 2021	2,710,555	0	0	0	2,710,555

2020

	Jubilee premiums and post-employment benefits	Litigations and compensations	Other provisions	Other accrued expenses and deferred revenue	Total
Balance as at 1 Jan 2020	2,532,126	0	0	0	2,532,126
Creation	276,142	0	0	0	276,142
Reversal	-60,775	0	0	0	-60,775
Transfer to current items	0	0	0	0	0
Balance as at 31 Dec 2020	2,747,493	0	0	0	2,747,493

Provisions for jubilee premiums and post-employment benefits were recognised based on an actuarial calculation approved by the Slovenia Control's management. The deferred tax asset was also adjusted accordingly.

Actuarial methods

The present value measurement of long-term employment benefits (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 for 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 year periods.
- The benefits are attributed to the current and prior year 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 employment benefits, the total costs of the benefits earned by employees in return for their service at the Company in the current and prior year periods are discounted.

Actuarial assumptions and comparatives

The calculation is based on the actuarial assumptions presented below.

Demographic assumptions:

- Mortality tables:
 - The 2007 mortality tables for the population of Republic of Slovenia, applied separately for men and women, are reduced by 10% (active population).
 - As at December 2021, this means an overall employee mortality rate of 0.4% for the following financial year (based on the number of employees).
 - The average age of employees as at 31 December 2021 was 47.5 years, whereas as at 31 December 2020, it was 46.3 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 2021, this constitutes an annual turnover of 0.3% for the following financial year.
 - The impact of a one-off redundancies was not taken into account in the estimating future employee turnover.
- Retirement:
 - - The expected date of retirement is calculated for each employee based on data on sex, date of birth and total years of service as at 31 December 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, 51/21, 121/21, 162/21, 196/21 – ZDOsk, 10/22 and 29/22) (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

- Early or late retirement is not taken into consideration in relation to the expected retirement date. When an employee is due to receive a jubilee award within two months after their expected date of retirement, provisions are also made for this jubilee award.

Sensitivity analysis of actuarial assumptions

In accordance with IAS 19, a sensitivity analysis was carried out of the impact of actuarial assumptions relating to profitability, salary growth in the Republic of Slovenia and in Slovenia Control as well as employee turnover on the present value of the liabilities for jubilee premiums and retirement benefits as at 31 December 2021, and for the purpose of comparison as at 31 December 2020. The sensitivity analysis involved a change of only one parameter - by +/- 0.5 percentage points – at a time, which is shown in the table below; all other assumptions remained unchanged for each test.

Actuarial assumption	Change in actuarial assumption (percentage point)	Change in the present value of the liability for (in EUR)			
		Jubilee awards as at		Retirement benefit as at	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Return	+0.5	-7,986	-9,081	-154,877	-167,274
	-0.5	8,570	9,797	168,988	183,688
Salary growth	+0.5	8,453	9,585	165,956	177,575
	-0.5	-7,976	-9,021	-153,786	-163,764
Employee turnover	+0.5	-8,117	-9,179	-157,227	-168,949
	-0.5	3,207	3,767	33,853	39,206

* The minimum fluctuation is assumed to equal 0%.

Financial assumptions

- The growth rates of average salaries and the amounts laid down in the Decree on the tax treatment of reimbursement of costs and other income from employment (Official Gazette of the Republic of Slovenia, No. 140/06, 76/08, 63/17 and 71/18) (hereinafter referred as: the "Decree on the tax treatment of reimbursement of costs and other income from employment") in the Republic of Slovenia:
 - The growth rates of average salaries in the Republic of Slovenia referred to in the Autumn Forecast of Economic Trends 2021 (IMAD) were applied in the calculations for 2022 and 2023. From 2024 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 referred to in the Decree on the tax treatment of reimbursement of costs and other income from employment are not expected to increase by 2023 inclusive, but they are expected to increase in line with inflation in the subsequent years.

Year	Nominal annual growth rate of average monthly salaries in the Republic of Slovenia (in %)	Nominal annual growth rate of amounts from the Decree for jubilee awards (in %)	Nominal annual growth rate of amounts from the Decree on retirement benefits (in %)
2022	1.2	0.0	0.0
2023	2.9	0.0	0.0
2024	3.0	2.0	2.0

* Decree on the tax treatment of reimbursement of costs and other income from employment

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

Year	Nominal annual salary growth rate in Slovenia Control due to inflation and real growth (in %)
2022	2.0
2023	1.9
2024	2.0

- An increase in basic gross salaries in Slovenia Control 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 assumed rate of increase is 0.6% for 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.
- The discount rate for the calculation as at 31 December 2021 was set at 0.9%, reflecting the yield on high-quality (AA rated) corporate bonds denominated in Euros (EUR) as at 30 December 2021, while taking into account the average weighted duration of the Company's liabilities (depending the amount of liabilities before discounting) from the balance sheet date until the payment by type of earnings (13.1 years).

3.2.10 Non-current financial liabilities

	31 Dec 2021	31 Dec 2020
Non-current domestic bank loans	7,500,000	4,000,000
Non-current liabilities - Leases (IFRS 16)	1,879,155	1,851,699
TOTAL	9,379,155	5,851,699

Slovenia Control had two long-term loans with two Slovenian banks:

- a credit facility of EUR 11.5 million, the creditor is Banka Intesa Sanpaolo, d. d., the interest rate is 3M EURIBOR +1.90 percentage points per annum. The loan was repayable in three-month instalments and was repaid on 1 April 2021.
- a credit facility of EUR 12.0 million, the creditor is Nova Ljubljanska banka, d. d., the interest rate is 6M EURIBOR + 0,5 percentage points per annum. The loan will be repayable in three-month instalments, the first instalment being due on 1 February 2023 and the last on 1 November 2029. As at 31 December 2021, EUR 7.5 million had been drawn down.

Instalments totalling EUR 575,000 are due in 2021 and are shown under current liabilities. As a result, as at 31 December 2021 Slovenia Control had a debt of EUR 7,500,000 of principal under long-term financial liabilities. Slovenia Control has not pledged any of its own real estate or other assets as security for the loans.

	Principal as at	Maturity by years				
	31 Dec 2021	2022	2023	2024	2025	After 2025
Bank loan principal balance, maturity by year	7,500,000	0	1,714,285	1,714,285	1,714,285	2,357,144
Total projected interest expense	265,670	60,000	55,714	47,143	38,571	64,242
TOTAL	7,765,670	60,000	1,769,999	1,761,428	1,752,857	2,421,386

Slovenia Control applied the Standard – IFRS 16 Leases – upon its effective date of 1 January 2019. As at 31 December 2021, liabilities amounted to EUR 2,573,198. Liabilities of EUR 293 654 due in 2022 are recorded as current liabilities. (Note 3.2.11).

	Principal as at	Maturity by years			
	31 Dec 2021	up to 1 year	up to 2 years	up to 3 years	more than 5 years
IFRS 16 principal balances of lease liabilities	2,172,809	293,654	293,654	293,654	1,291,847
Projected interest expense	400,389	66,799	66,799	66,799	199,992
TOTAL	2,573,198	360,453	360,453	360,453	1,491,839

Previous year period

	Principal as at	Maturity by years			
	31 Dec 2020	up to 1 year	up to 2 years	up to 3 year	more than 5 years
IFRS 16 principal balances of lease liabilities	2,150,351	298,652	298,652	298,652	1,254,395
Projected interest expense	311,875	52,032	52,032	52,032	155,779
TOTAL	2,462,226	350,684	350,684	350,684	1,410,174

Movement in non-current financial liabilities

	31 Dec 2021	31 Dec 2020
Balance as at 1 Jan	5,851,699	2,714,496
Additions as a result of changes of control of the Company	0	0
Additions as a result of mergers involving the Company	0	0
Receipts from bond issues	0	0
Repayments of bonds issued	0	0
Interest received	3,500,000	4,000,000
Lease income under IFRS 16	326,108	0
Lease expense under IFRS 16	-298,652	-287,797
Repayments of loans payable	0	-575,000
Changes in fair value of financial instruments	0	0
Changes in interest payable	0	0
Exchange differences	0	0
Balance as at 31 Dec	9,379,155	5,851,699

3.2.11 Current financial liabilities

	31 Dec 2021	31 Dec 2020
Current domestic bank loans	7,900,000	6,875,000
Current liabilities - Leases (IFRS 16)	293,654	298,652
TOTAL	8,193,654	7,173,652

Movement in current financial liabilities

	31 Dec 2021	31 Dec 2020
Balance as at 1 Jan	7,173,652	2,305,400
Additions as a result of changes of control of the Company	0	0
Additions as a result of mergers involving the Company	0	0
Receipts from bond issues	0	0
Repayments of bonds issued	0	0
Interest received	7,900,000	6,875,000
Lease income under IFRS 16	293,654	298,652
Lease expense under IFRS 16		
Repayments of loans payable	-7,173,652	-2,305,400
Changes in fair value of financial instruments	0	0
Changes in interest payable	0	0
Exchange differences	0	0
Balance as at 31 Dec	8,193,654	7,173,652

Slovenia Control recognises as a current financial liability short-term loan commitments of EUR 7,900,000 due in 2022 and part of the long-term IFRS 16 lease liabilities of EUR 293,654 due in 2022 (see also Note 3.2.10).

3.2.12 Current trade payables

	31 Dec 2021	31 Dec 2020
Trade payables due to domestic suppliers	855,213	756,707
Trade payables due to foreign suppliers	571,426	784,090
TOTAL	1,426,639	1,540,797

As at 31 December 2021 Slovenia Control had no overdue trade payables.

3.2.13 Other current operating liabilities

	31 Dec 2021	31 Dec 2020
Liabilities due to employees	825,788	833,637
Liabilities due to state institutions	882,544	845,254
Other operating liabilities	8,335	8,095
TOTAL	1,716,667	1,686,986

3.2.14 Other current payables and deferred revenue

	1 Jan 2021	Creation	Utilization	31 Dec 2021
Unutilised annual leave	964,454	142,146	0	1,106,600
CEO's bonus included in calculation	32,920	0	0	32,920
Short-term deferred revenue	288,895	0	140,078	148,817
TOTAL	1,286,269	142,146	140,078	1,288,337

3.2.15 Income from contracts with customers

	2021	2020
Income from contracts with customers in the Republic of Slovenia	873,482	866,782
Income from contracts with customers in the EU	875,127	125,010
Income from contracts with customers abroad	1,070	1,110
Income from contracts - en-route charges	17,610,017	13,550,098
Income from contracts - terminal charges	1,705,332	914,515
TOTAL	21,065,028	15,457,515

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

As regards the application of IFRS for the recognition of excess income due to the adjustment mechanism and its effect on future income in accordance with European Union regulations, see Note 3.2.24.

Commission Implementing Regulation (EU) 2019/317/EU lays down a performance and charging scheme for 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 in line with the set performance targets, the Performance Plan for the Period 2020–2024 for the Republic of Slovenia was prepared in autumn 2019.

The changed circumstances resulting from the negative impact of the outbreak of the COVID-19 pandemic on the volume of air traffic have strongly affected the procedures and measures for implementing the performance and charging scheme in the 2020–2024 reference period. This is why, the European Commission adopted Commission Implementing Regulation 2020/1627/EU on exceptional measures, by means of which it established a provisionally amended legal framework for the third reference period, taking into account the crisis situation in the aviation sector. The 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. On the basis of this Regulation, the European Commission adopted Commission Implementing Decision 2021/891/EU setting new Union-wide

performance targets and Member States were required to submit revised Performance Plans for the third reference period to the European Commission for its assessment by 17 November 2021 at the latest.

In terms of the impact of the adjustment mechanism on Slovenia Control's performance in years n (2020 and 2021), the relevant provisions are those that change the adjustment period for the over/under recovery of the risk-sharing funds relating to traffic, inflation and investment so that they are not included in the calculation of the unit price in year n+2 but are spread evenly over the five-year period from 2023 to 2027.

The Company's management estimates that the new Performance Plan 2020–2024 for the Republic of Slovenia, issued in 2021, will not have any impact on the 2021 Financial Statements as Slovenia Control, in accordance with IFRS, does not record the deviations of the categories subject to reconciliation in the current year on its books of accounts and all adjustments will be realised through the future price, that is in the years 2023–2027.

3.2.16 Other operating income

	2021	2020
EU subsidies	183,018	149,507
Income from the reversal of provisions	48,431	1,508
Other business-related income	19,047	42,675
Government COVID-19 aid	2,772,258	1,899,987
Reimbursements of staff pay by the Health Insurance Institute of Slovenia	136,923	0
TOTAL	3,159,677	2,093,677

State aid received due to the COVID-19 pandemic

	2021	2020
Reimbursement of pension and disability contributions	0	1,000,063
Furlough pay	747,420	224,924
Compensation received for compulsory employee quarantine	28,818	0
Compensation received for non-covered fixed costs	1,996,020	675,000
TOTAL	2,772,258	1,899,987

In accordance with the legislation on intervention measures which was adopted by the Republic of Slovenia to mitigate the negative effects of the COVID-19 pandemic in order to preserve jobs, Slovenia Control received reimbursements of EUR 747,420 for furloughed employees during the pandemic, and EUR 28,818 for quarantines imposed on its employees. Slovenia Control received state aid for uncovered fixed costs for the period from January to June 2021 in the amount of EUR 1,996,020. State aid received as a result of the COVID-19 pandemic is recognised as income in 2021 in the total amount of EUR 2,772,258.

The Slovenia Control's management had assessed that, given the legal bases, the conditions for eligibility for state aid in 2021 were met and had therefore recognised the revenue in full.

In previous periods, salary allowances not charged to Slovenia Control (maternity leave, etc.) were not recognised as labour costs but were recognised as receivables from government institutions. However, in the reporting period, these allowances, which amount to EUR 136,923, are included in labour costs and recognised in other income.

3.2.17 Cost of materials and services

Cost of materials

	2021	2020
Cost of ancillary material	23,872	133,221
Energy costs	226,076	262,032
Cost of spare parts and material for maintenance	65,567	65,817
Write-off of small tools – useful life of up to one year	260	5,591
Cost of office supplies and professional literature	25,826	41,917
Other costs of materials	29,013	34,356
TOTAL	370,614	542,934

Cost of services

	2021	2020
Cost of transportation services	3,306	4,310
Internet and telephone costs	340,375	457,282
Cost of services relating to maintenance	1,089,232	1,082,780
Leases not covered by IFRS – 16	239,804	232,058
Reimbursement of work-related expenses	111,932	79,098
Payment transaction costs	10,408	14,339
Costs of insurance premiums	201,446	171,939
Costs of intellectual and personal services	323,077	267,707
Costs of trade fairs, advertising and entertainment	14,814	51,492
Costs of contracts for services, royalties and Student Work Centre	105,075	30,032
Costs of attendance fees of the Supervisory Board and Workers' Council	86,246	83,870
Costs of aviation meteorology - en-route	664,410	598,477
Costs of aviation meteorology - terminal	257,360	157,193
Costs of the Civil Aviation Agency - en-route	505,529	371,515
Costs of the Civil Aviation Agency - terminal	45,783	26,581
Other cost of services	1,612,393	1,386,601
TOTAL	5,611,190	5,015,274

3.2.18 Labour cost

	2021	2020
Employees' salaries	15,783,538	15,774,750
Costs of supplementary pension insurance	0	252,693
Other pension insurance related costs	1,399,592	1,406,021
Other social security costs	1,146,557	1,151,702
Benefited length of service	748,730	743,004
Costs for home to work travel allowances and lunch allowances	564,604	535,815
Annual leave allowance	222,501	211,617
Other employee reimbursements	9,535	8,186
Provisions for jubilee awards and post-employment benefits	243,482	483,575
Retirement benefits	71,976	180,584
Jubilee awards and other employee awards	8,269	5,284
TOTAL	20,198,784	20,753,231

The average number of employees based on the total number of hours worked in 2021 was 200.14.

Employee structure

Average no. of employees in 2021	
Air traffic control posts requiring a licence – licensed staff	
• Air traffic services posts – air traffic controllers	106
• Air traffic services posts – operators (FDT+FIS)	13
• Communications, navigation and surveillance posts	35
• Communications, navigation and surveillance posts	20
• Aeronautical information services posts	176
Non-licensed staff	41
Total employees	217

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

	2021	2020
Amortisation of intangible assets	508,046	409,881
Depreciation of buildings	519,071	515,676
Depreciation of buildings - IFRS 16	281,596	273,432
Depreciation of equipment	2,114,827	2,637,713
Depreciation of equipment - IFRS 16	64,349	64,237
Depreciation of small tools	2,736	4,365
TOTAL	3,490,625	3,905,304

	2021	2020
Loss on retirement of fixed assets	3,742	43,435
Impairment of inventories	32,613	33,866
Write-off of receivables	13,780	0
TOTAL	50,135	77,301

	2021	2020
Recognition of impairments in the financial year	800,287	912,026
Reversal of impairment of receivables	876,283	808,402
TOTAL	-75,996	103,624

3.2.20 Other operating expenses

	2021	2020
Membership fees and other operating expenses	1,642,757	1,473,122
Donations and humanitarian aid	0	9,800
Awards for pupils/ students on work placements	1,501	0
TOTAL	1,644,258	1,482,922

The membership fee paid to Eurocontrol during the period under review amounted to EUR 1,582,026 (2020: EUR 1,410,169).

3.2.21 Financial expenses

	2021	2020
Interest received	44,370	34,212
Financial liabilities relating to IFRS 16	54,762	44,693
Interest paid on jubilee awards - actuarial calculation	608	1,615
Interest paid on retirement benefits - actuarial calculation	7,476	32,082
Costs relating to operating liabilities	588	1,281
TOTAL	107,804	113,883

3.2.22 Tax return

	2021	2020
Income tax expense	0	0
Deferred tax expense	67,927	-47,578
Taxes	67,927	-47,578

	2021	2020
Profit (loss) for the period before tax	-7,172,706	-14,443,250
Corporate income tax at 19%	-1,362,814	-2,744,218
Effect of non-taxable income	0	0
Tax effects non-deductible expenses	9,709	233,469
Tax effects of correction of prior period error	329,778	0
Unrecognised deferred tax on tax losses	1,000,197	2,491,928
Reversal of deferred tax on unutilised holiday leave	91,623	0
Other items	-56	-28,758
Total corporate income tax	67,927	-47,578

In its tax return for the reporting period, acting 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), Slovenia Control transferred investment relief in the amount of EUR 965,919.47 from previous year period as well as EUR 785,435.61 from the reporting period, in total EUR 1,751,355.08, to subsequent tax periods due to tax loss.

The Company's unutilised tax loss amounts to EUR 18,379,606 (2020 - EUR 13,115,412 and 2021 - EUR 5,264,194), of which deferred tax assets of EUR 3,492,125 are not recognised.

3.2.23 Fair value

The management estimates that the fair values of financial assets and financial liabilities are not materially different from their carrying amounts.

Fair value measurement

The fair value of trade and other receivables is determined as the present value of future cash flows using a market interest rate. The fair value of non-derivative financial liabilities is determined by reference to the present value of future principal and interest payments discounted at the reporting date using a market rate of interest.

Fair value hierarchy

2021	Fair value measurement			
	Book value as at 31 December 2021	Direct value on stock markets (first level)	Value based on market observables (second level)	Value cannot be derived from market observables (third level)
Operating receivables	3,790,012	0	0	3,790,012
Cash and cash equivalents	871,618	0	0	871,618
Assets with disclosed fair value	4,661,630	0	0	4,661,630
Total fair value of assets	4,661,630	0	0	4,661,630
Operating liabilities – current and non-current	1,426,639	0	0	1,426,639
Financial liabilities – current and non-current according to IFRS 16	2,172,809	0	0	2,172,809
Loans	15,400,000	0	0	15,400,000
Total liabilities with disclosed fair value	18,999,448	0	0	18,999,448
Total fair value of liabilities	18,999,448	0	0	18,999,448

An investment of EUR 16,000 is valued at cost (see disclosure under Note 2.3.2).

2020	Fair value measurement			
	Book value as at 31 December 2020	Direct value on stock markets (first level)	Value based on market observables (second level)	Value cannot be derived from market observables (third level)
Operating receivables	1,713,492	0	0	1,713,492
Cash and cash equivalents	757,677	0	0	757,677
Assets with disclosed fair value	2,471,169	0	0	2,471,169
Total fair value of assets	2,471,169	0	0	2,487,169
Operating liabilities – 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	10,875,000	0	0	10,875,000
Total assets with disclosed fair value	14,566,148	0	0	14,566,148
Total fair value of liabilities	14,566,148	0	0	14,566,148

3.2.24 Application of IFRS to the recognition of surplus revenue due to the effect of the adjustment 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 an individual 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 adjustment mechanism, Slovenia Control noted a difference in the amount of income (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 income) and 2020 (loss of income), this difference significantly affects the Slovenia Control's current as well as future financial performance. As a result, a test was performed to verify whether it makes sense to create non-current provisions or regulatory liabilities or receivables relating to such differences.

IAS 37 does not allow the recognition of provisions or excess revenue arising from regulatory liabilities. According to currently applicable standards, the main reason is that future price reductions or increases in future years due to over- or under-pricing as a result of more or fewer en-route flights and approaches/departures as well as lower than planned inflation on which the current year's price is based, depends on future events such:

- future rendering of services,
- future volumes of output,
- the continuation of regulation.

As a result, regulatory liabilities (deferred surplus income) do not meet the IFRS definition of a liability, which requires the existence of a present obligation with no contingent future events, which is why the Company has not created any long-term provision or regulatory liability or regulatory receivable in respect of this item.

3.2.25 Financial instruments and financial risk management

The most significant financial risks to which Slovenia Control is exposed are: interest rate risk, liquidity risk, credit risk and capital management.

Interest rate risk

Slovenia Control has non-current financial liabilities of EUR 7,500,000 (2020: EUR 4,000,000). The current portion of the financial liabilities as at 31 December 2021 amounted to EUR 7,900,000 (2020: EUR 6,875,000). An unexpected increase in variable interest rates may have a significant impact on Slovenia Control's projected results of operations and therefore the risk of interest rate changes is significant for Slovenia Control.

The effect of possible changes in the level of variable interest rate on future profit or losses is shown in the table below.

Sensitivity analysis

2021

Balance of liabilities relating to each variable interest rate	Liabilities at 31 Dec 2021	Interest rate increase of 0.5%	Interest rate cut of 0.5%
1-month EURIBOR	7,000,000	38,500	-0
6-month EURIBOR	7,500,000	75,000	-0
6-month EURIBOR	900,000	11,700	-2,700
Total:	15,400,000	125,200	-2,700

2020

Balance of liabilities relating to each variable interest rate	Liabilities at 31 Dec 2020	Interest rate increase of 0.5%	Interest rate cut of 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

The sensitivity analysis of financial liabilities to changes in variable interest rates was carried out using an assumption of a possible change in variable interest rates of 0.5%. The calculation takes into account the average interest rate for all loans.

Liquidity risk

Balancing 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 include inadequate financial resources and the opportunity cost of surplus cash in bank accounts. Slovenia Control 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.

Due to the uncertainty during the pandemic, the Company has paid special attention to its liquidity risk. In addition to regular weekly and monthly monitoring of traffic, traffic forecasts by professional organisations (especially Eurocontrol), of financial items, such as income and costs, as well as taking measures to streamline all operating costs, Slovenia Control manages its liquidity risk by maintaining credit lines from banks and by carefully planning cash flows. The Company's ability to settle its liabilities and thus ensure its solvency could have been at risk, if appropriate measures had not been taken by the Company. To ensure adequate liquidity in 2020, 2021 and 2022, Slovenia Control took out additional short-term revolving loans to ensure its operations will continue uninterrupted and unhindered. It has also taken out

a long-term credit facility in 2020 to finance the necessary investments in 2020-2022 with a moratorium until 2023.

Despite the impact of the COVID-19 pandemic on its business, Slovenia Control continues to have a good credit rating and can obtain credit lines on competitive terms. Slovenia Control has a EUR 12 million credit facility which will be repaid in quarterly instalments, with a final maturity falling due in 2029 (see Note 3.2.10).

2021	Book value	Contractual cash flows		
		Up to 1 year	From 1 to 5 years	Total
Realised financial liabilities	0	0	0	0
Loans and credit lines, including expected interest	15,785,000	5,077,000	12,208,000	17,285,000
Lease liabilities including expected interest	2,394,896	293,654	2,101,242	2,394,896
Trade payables	1,426,639	1,426,639	0	1,426,639
Total outstanding financial liabilities	19,606,535	6,797,293	14,309,242	21,106,535
Total	19,606,535	6,797,293	14,309,242	21,106,535

2020	Book value	Contractual cash flows		
		Up to 1 year	From 1 to 5 years	Total
Realised financial liabilities	0	0	0	0
Loans and credit lines, including expected interest	11,038,125	6,907,625	4,130,500	11,038,125
Lease liabilities 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 outstanding 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

Credit risk

Slovenia Control identifies the risk of customers failing to meet their contractual obligations on time on an ongoing basis, and then takes appropriate measures to recover trade receivables. These risks are known as credit risks. In this manner, the Company protects itself against payment uncertainties that could make it difficult to plan future cash flows.

Slovenia Control has two main sources of income: income from en-route charges (relating to the en-route phase) and income from terminal charges (in the approach and departure phases). From a credit risk perspective, it is important to note that income from en-route services is characterised by a high dispersion of customers, with no single customer accounting for more than 8% of revenue; income from en-route services also accounts for 84 % of total turnover. Terminal services account for 8% of total turnover, with a maximum share of 1 % for any one customer. Domestic sales account for four per cent of turnover, with the largest customer accounting for three per cent of turnover

Slovenia Control manages this risk by participating in a common billing and collection system through Eurocontrol (the cost of services provided to airlines is billed by Eurocontrol, which in turn remits the funds to Slovenia Control). The Company creates and justifies adjustments to receivables at the end of each accounting period on the basis of Eurocontrol's data.

IFRS 9 requires 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 (FVTPL) and for assets from contracts.

Subsequent to the adoption of IFRS 9, Slovenia Control assessed whether the recognition of the impairment of expected credit losses was appropriate and concluded that the impairment of receivables was appropriate and in accordance with IFRS 9. As a result, the Company did not recognise any additional impairment of trade receivables.

	31 Dec 2021	31 Dec 2020
Receivables due from domestic customers	203,394	187,351
Receivables due from customers abroad	3,586,621	1,526,141
Receivables due from state institutions	157,841	1,549,134
Cash and cash equivalents	871,618	757,677
Non-current financial investments	16,000	16,000

Capital management

The primary objective of Slovenia Control's capital management is to provide the Company with the resources to meet the technical, technological and operational requirements and to carry out the related infrastructural investment activities which are necessary to perform air navigation services. This entails in particular the provision of adequate capacity as required by the binding Union-wide goal in the key performance area in question and as stipulated in Slovenian and European regulations, with the aim of ensuring the safe, high-quality, efficient and uninterrupted provision of services. At the same time, this also ensures that the Company has a high credit rating and adequate funding ratios, by means of which additional sources of funding can be provided to finance its operations. The Founder and sole shareholder of Slovenia Control is the Republic of Slovenia. Its rights are exercised through Slovenian Sovereign Holding. In terms of its capital management and dividend policy, Slovenia Control therefore also follows the strategic orientations and expectations of its Founder.

The Company's capital management policy follows the guidelines of European and Slovenian legislation in the area of Slovenia Control's activities with the aim of ensuring sufficient capital to meet the technical, technological and operational requirements and carry out the related infrastructure investment activities which are necessary to perform air navigation services.

The financial leverage ratio (total assets at end of period/equity at end of period) for 2021 was 6.00, and 2.97 for 2020.

3.2.26 Carrying out other activities

Slovenia Control generated revenues of EUR 924,364 from other activities in 2021. This figure includes EUR 874,356 from the sale of KAMI licences, EUR 37,200 from the lease of business premises (a hangar at the Ljubljana Jože Pučnik Airport) and EUR 12,808 from the supply of electricity to the distribution network from the generation facilities at the ATCC Brnik metering point, which is carried out on an as-needed basis. Income from other activities represents 3.8% of the Company's total operating income. The provision of other activities carried out by Slovenia Control in 2021 incurred costs of EUR 650,000 for the purchase of KAMI licences.

3.2.27 Related party transactions

Slovenia Control also provides services to various authorities, agencies and companies in which the Republic of Slovenia is a majority or minority owner. All transactions with the above mentioned entities are concluded at an arm's length and are not more favourable than those on which they are concluded with other parties.

Slovenia Control has a non-current investment in FABCE, letalske storitve, d. o. o ("FABCE"). The investment is described in more detail in Note 3.2.3.

In 2021, Slovenia Control generated EUR 42,240 of income with FABCE from the lease of business premises and technical equipment, as well as from administrative, accounting and legal support services. As at 31 December 2021, Slovenia Control had no outstanding receivables due from or payables due to FABCE.

3.2.28 Events after the balance sheet date

No events occurred between the date of the financial statements and the date of this report which affected the true and fair picture of the 2021 Financial Statements or that would require additional disclosures to be made.

Impact of the COVID-19 pandemic

Due to the emergence of the COVID-19 pandemic, the negative impact of which continued in 2021, and the general uncertainty concerning its evolution, a definitive assessment of its effect on Slovenia Control's operations and the accounting estimates in the financial cannot yet be given. Air traffic forecasts predict a gradual recovery in air traffic from 2022 onwards, which will depend mainly on the development of the pandemic, the general economic recovery and the return of confidence and demand for air travel

Impact of the conflict between Ukraine and the Russian Federation

The impact, which the conflict between Ukraine and the Russian Federation and the resulting mutual sanctions (airspace closures or flight bans), which were imposed between the EU and the Russian Federation, has on the Company's operations and the generation of en-route and terminal income, introduces additional uncertainty regarding the expected recovery of air traffic in 2022. As a result, it is not possible to provide reliable estimates of the actual impact on air traffic in Slovenian airspace in 2022.

Slovenia Control will monitor the potential impact of the COVID-19 pandemic and the conflict between Ukraine and the Russian Federation on air traffic in Slovenian airspace and will take all necessary measures for the smooth provision of services and stable operations.

3.2.29 Contingent liabilities and contingent assets

Slovenia Control does not have any contingent liabilities that are not adequately recorded in the Statement of Financial Position as at 31 December 2021. The Company assessed that it is unlikely that the contingent liabilities would require an outflow of resources to settle the obligations arising from contingent liabilities.

In accordance with IFRS 15 and IAS 37, Slovenia Control does not recognise the effect of the adjustment mechanism on future profit or loss in its accounts, as these effect meets the recognition criteria for contingent assets and liabilities which will have a significant impact on the Company's future cash flows and operations. The effect of the adjustment mechanism, which is detailed in Note 3.2.24, is presented below.

An assessment of the potential impact of the adjustment mechanism relating to traffic and inflation adjustments for the en-route phase has been included in the assessment of contingent assets and liabilities.

Financial impact assessment – contingent assets arising from the under-recovery of funds based on the adjustment mechanism:

	Balance as at 31 Dec 2021	Change	Balance as at 1 Jan 2021
Traffic adjustment – 2018	49,090	0	49,090
Traffic adjustment – 2019	117,856	-121,688	239,544
Traffic adjustment – 2020 and 2021*	24,808,980	11,288,980	13,580,000

* The estimate is based on the data available at the time of drawing up the Annual Report.

Financial impact assessment – contingent assets arising from over-recovered funds based on the adjustment mechanism:

	Balance as at 31 Dec 2021	Change	Balance as at 1 Jan 2021
Inflation adjustment – 2018	718,324	0	718,324
Traffic adjustment – 2018	525,926	0	525,926
Inflation adjustment – 2019	899,814	-929,591	1,829,405
Traffic adjustment – 2019	1,567,616	-1,619,650	3,187,266

Contingent assets and contingent liabilities are expected to be realised, but the precise amounts depend on uncertain future events which are not wholly within the control of the Company (future turnover, stakeholder approval, etc.).

3.2.30 Audit costs

Purpose of expense	2021	2020
Annual audit of financial statements	9,400	9,500
Other assurance services	5,500	2,750
TOTAL	14,900	12,250

The audit of the 2021 Annual Report incurred a cost of EUR 9,400. No other services were provided by the auditor. The sum of EUR 5,500 relates to other assurance services provided by the auditor of the 2020 Annual Report.

3.2.31 Other disclosures

Slovenija Control's management is represented by the Company's legal representative, the CEO, Franc Željko Županič, PhD.

CEO's gross earnings (in EUR)

2021

	Position	Fixed earning-gross (1)	Variable earning-gross (2)	Deferred earning (3)	Severance pay (4)	Fringe benefits (5)	Claw-back (6)	Total gross (1+2+3+4+5-6)	Total net
Franc Željko Županič, PhD	CEO	106,941	0	0	0	7,066	0	114,007	53,634

2020

	Position	Fixed earning-gross(1)	Variable earning-gross(2)	Deferred earning (3)	Severance pay (4)	Fringe benefits (5)	Claw-back (6)	Total gross (1+2+3+4+5-6)	Total net
Franc Željko Županič, PhD	CEO	111,083	17,720	0	0	8,364	0	137,167	61,273

The variable earnings are paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of RS, No. 21/10, 8/11 – ORZPPOGD4 and 23/14 – ZDIJZ-C). Slovenia Control has no outstanding claims arising from loans to the CEO.

The Supervisory Board is composed of six members, of these four represent the interests of the Founder, while two members represent the interests of employees.

Gross and net earnings (in EUR) of members of the Supervisory Board (SB) and of members of the Supervisory Board's Audit Committee (AC) are provided below.

2021

Name and Surname	Position	Payment for holding the position in SB – gross per year (1)	Payment for holding the position in AC – gross per year (2)	Attendance fees for SB and AC – gross per year (3)	Total gross (1+2+3)	Total net	Travel expenses
Ivan Dušan Hočevar, MSc.	SB president and AC's vice-president	10,455	1,743	3,012	15,210	11,058	266
Rok Prešern	SB vice president	7,667	0	1,870	9,537	6,931	107
Marija Šeme, MBA	SB member and AC president	6,970	2,614	3,012	12,596	9,156	165
Borut Lackovič Žumer	SB member	6,970	0	1,870	8,840	6,269	670
Boštjan Mišmaš	SB member	6,970	0	1,700	8,670	6,300	0
Žiga Ogrizek	SB member and AC member	6,970	1,743	3,012	11,725	8,522	0
Urška Kiš	AC member	0	1,743	1,142	2,885	2,093	93

The sum of EUR 1,222 was earmarked by Slovenia Control for the training of the members of the Supervisory Board and the Supervisory Board's Audit Committee in 2021.

2020

Name and Surname	Position	Payment for holding the position in SB – gross per year (1)	Payment for holding the position in AC – gross per year (2)	Attendance fees for SB and AC – gross per year (3)	Total gross (1+2+3)	Total net	Travel expenses
*Dušan Hočevar, MSc.	SB president and AC vice-President	10,151	1,572	2,418	14,141	10,384	266
**Rok Prešern	SB vice president	2,351	0	646	2,997	2,203	64
***Marija Šeme, MBA	SB member and AC president	5,673	1,795	1,942	9,410	6,840	120
Borut Lackovič Žumer	SB member until 30 August 2020	2,323	0	646	2,969	1,831	402
Gorazd Čibej, MSc.	SB member until 29 August 2020	4,507	0	1,170	5,677	4,127	80
Nikolaj Abrahamsberg, MSc.	SB member until 23 November 2020	6,151	0	1,646	7,797	5,763	477
****Žiga Ogrizek	SB member and Ac's Member	6,867	1,289	2,026	10,183	7,506	0
Boštjan Mišmaš	SB member since 1 July 2020	3,485	0	782	4,267	3,098	43
Davor Mizerit	SB member and AC member until 18 February 2020	1,131	283	360	1,774	1,290	0
Urška Kiš	AC member	0	1,572	710	2,282	1,765	56

*Dušan Hočevar: SB president until 24. November 2010 and from 17 December 2020; SB member from 25 November to 16 December 2020.

AC vice president in 2020

**Rok Prešern: SB member from 30 August to 16 December 2020, and SB vice president since 17 December 2020;

***Marija Šeme Irman: SB vice president until 29 August 2020 and SB member since 24 November 2020;

AC president until 29 August 2010 and from 17 December 2020;

****Žiga Ogrizek: SB member in 2020 and AC member since 19 February 2020.

3.2.32 Covering the loss for the year

Slovenia Control ended the financial year of 2021 with a loss of EUR 7,240,633. Pursuant to Article 66(5) of the Companies Act, the net loss for the financial year of EUR 7,240,633 will be partially covered by the net profit carried forward from previous years of EUR 1,764,789. After allocating the net profit carried forward of EUR 1,764,789 to covering the net loss for the financial year of 2021, the remaining net loss for the financial year 2021 amounts to EUR 5,475,844.

Pursuant to Article 11, Paragraph 2, Indent 5 of the Article of Association, following a proposal from the Supervisory Board and the Management Board of Slovenia Control, the Founder decided to use other revenue reserves of EUR 4,263,788 to cover the remaining net loss for the financial year, which, after the application of the profit carried forward, amounts to EUR 5,475,844, so that, as at 31 December 2021, the balance-sheet loss amounted to EUR 1,212,056.

3.2.33 Statement of Management Responsibility

In accordance with the provisions of Article 60a of the Companies Act, on 5 May 2022, Slovenia Control's CEO approved the publication of the Financial Statements and the accounting policies applied as well as the Notes to the Financial Statements.

The CEO of Slovenia Control is responsible for the preparation of the Annual Report so that it provides a true and accurate account of the financial position and performance of the Company in 2021.

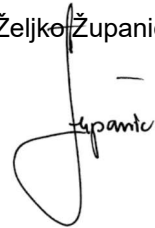
The CEO confirms that applicable accounting policies and accounting estimates have been consistently applied in compliance with the principles of prudence and due diligence. The CEO further confirms that Financial Statements have been prepared using a going concern assumption and are compliant with applicable legislation and International Financial Reporting Standards.

The CEO is also responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding property and other assets as well as for the prevention and detection of fraud and other irregularities and illegality.

The tax authorities may verify the operation of Slovenia Control at any time within five years from the tax calculation date which may consequently result in additional tax liability, default interest and penalty being imposed pursuant to the Corporate Income Tax Act, or in the charging of any other taxes and levies. The CEO is not aware of any circumstances that may give rise to any potential significant liability arising thereunder.

Zgornji Brnik, 12 May 2022

Franc Željko Županič, PhD
CEO

A handwritten signature in black ink, appearing to read 'Županič', is written over the printed name of the CEO.

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 letalskih 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
ATSEP	Tehnično osebje za področje varnosti zračnega prometa	Air Traffic Safety Electronics Personnel
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 (Mediterranski funkcionalni blok zračnega prostora)	Functional Airspace Block BLUE MED (Mediterranean Functional Airspace Block)
CANSO	Mednarodna organizacija civilnih navigacijskih služb zračnega prometa	The Civil Air Navigation Services Organization
CEF	Instrument za povezovanje Evrope	Connect Europe Facilities
CFMU	Osrednja enota za upravljanje pretoka zračnega prometa	Central Flow Management Unit
CNS	Komunikacije, navigacija in nadzor	Communication, Navigation and Surveillance
COM	Komunikacije	Communication
CPDLC	Povezava za podatkovno komunikacijo med kontrolorji zračnega prometa in piloti	Controller-Pilot Data Link Communications
CRCO	Centralni urad za zaračunavanje pristojbin pri organizaciji Eurocontrol	Central Route Charges Office
Croatia Control	Hrvaški izvajalec navigacijskih služb zračnega prometa	Hrvatska kontrola zračne plovitve d. o. o.
CTNC	Centralizirani tehnično nadzorni center	Centralized System Monitoring and Control
CTR	Območje kontroliranega prometa	Controlled Traffic Region
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	FAB CE skupina za kibernetko varnost	FAB CE Cyber Security Group
FIR	Letalsko informacijsko področje	Flight information region
FL	Nivo leta	Flight Level
FPL	Načrt leta	Flight Plan
FRA	Zračni prostor, v katerem se prosto (svobodno) določajo zračne poti	Free Route Airspace
FUA	Prilagodljiva uporaba zračnega prostora	Flexible Use of Airspace
GATE ONE	Združenje treh različnih FAB-ov (BALTIC FAB, DANUBE FAB, FAB CE) in M-NAV ter SAMTSA	Alliance between three FABs (BALTIC FAB, DANUBE FAB, FAB CE) and M-NAV and SAMTSA
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
NCMP	Natov proces kriznega upravljanja	Nato Crisis Management Process
NCRSM	Priročniku o Natovem sistemu odzivanja na krize	Nato Crisis Response System Manual
NUKO	Nacionalni ukrepi kriznega odzivanja	National Crisis Respons System
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 Stearing 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
RP	Referenčno obdobje	Reference Period
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 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 računskem 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