



SLOVENIA
CONTROL

ANNUAL REPORT 2018

SLOVENIA CONTROL, Ltd

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



INTRODUCTION





CORPORATE VISION, MISSION AND VALUES

VISION

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

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

MISSION

As a reliable organisation, Slovenia Control is committed to ensuring absolute safety.

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

The Company’s mission is:

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

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

COMPANY VALUES

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

Safety of service

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

Reliability

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

Responsibility

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

Professionalism

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

Consideration

Responding to stakeholders in a socially responsible way.

Respect

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

Teamwork

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

Know-how

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



COMPETITION POLICY

The Company is committed to strengthening its collaboration with neighbouring countries and its role in the planned transformation of airspace in the region. This is directly connected to Slovenia Control's main objective: to ensure safe, smooth and efficient air traffic flow. In line with EU goals regarding the cost-efficiency of air navigation services under the Single European Sky, the Company collaborates with air navigation service providers from the neighbouring countries to strengthen synergies in the provision of services to improve cost-efficiency across the region. Developing functional airspace blocks means satisfying one of the essential legislative requirements of the Single European Sky – SES

as a crucial mechanism representing a framework established by member states to strengthen cooperation and integration, which leads to a more rational organisation of airspace and the provision of services aimed at meeting the expectations of airspace users. Slovenia Control actively contributes to the achievement of the European Commission's objectives in relation to the establishment of functional airspace blocks in Europe as part of the Functional Airspace Block Central Europe (FAB CE), which simultaneously helps the Company ensure the continued competitiveness of its know-how and high technological capacities for the provision of air navigation services in the Slovenian airspace in the future.

DEVELOPMENT POLICIES

Slovenia Control is licensed to provide air navigation services, namely air traffic control services, communications, navigation and surveillance services, automated data processing services and aeronautical information services. The Company maintains adequate technical and operational capacities and know-how for air traffic management and provision of air navigation services in a safe, uninterrupted, flexible, reasonably priced, cost-effective, environmentally sustainable and high-quality manner; constantly adapting to the current and future density of air traffic flows in the airspace.

In accordance with the requirement of the Act on the Provision of Air Navigation Services (Official Gazette of the Republic of Slovenia No. 30/06 – official consolidated text, 109/09, 62/10 – ZLet-C and 18/11 – ZUKN-A) (hereinafter referred to as “the Act on the Provision of Air Navigation Services”) and the Memorandum of Association of the Public Corporation Slovenia Control, Limited (hereinafter referred to as “the Memorandum of Association”) we adopted a five-year business plan for the period of 2016–2020, which, in accordance with the requirements of Slovenian legislation and EU regulations on the Single European Sky, constitutes the strategic document containing the Company’s development strategy aimed at contributing to the sustainable development of the air traffic system by improving the overall efficiency of air navigation services.

Slovenia Control’s development policy, as outlined in the current 2016–2020 Business Plan, focuses on achieving and improving the efficiency of air navigation services in the key performance areas of safety, environment, capacity and cost efficiency in accordance with the performance areas defined in the ATM Master Plan and pursuant to the 2015–2019 FAB CE Performance Plan for the second Single European Sky Reference Period (RP2 2015–2019), which lays down, in accordance with EU regulations on the Single European Sky (SES), the binding (and other) performance targets set by member states of the FAB CE, including Slovenia, for the second reference period of monitoring key performance indicators (KPI) in the provision of air navigation services from 2015 to 2019.

The business plan shows the sufficiency of financial and administrative resources (financial strength) in the period between 2016 and 2020 to ensure adequate technical and operational capacities and know-how for the provision of air navigation services and airspace management, as well as the potential effect on fees for users resulting from the implementation of the strategy and the business plan, and sets out the following development policies for the achievement of the Company’s strategic goals:



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

In the second reference period, between 2015 and 2019, one of the Company's principal strategic objectives will be the achievement of EU-wide performance targets. EU-wide performance targets and indicators have been laid down for all four key areas of performance monitoring, i.e. capacity, cost-efficiency, safety and environment. Pursuant to Commission Implementing Regulation (EU) No 390/2013 of 3 May 2013 laying down a performance scheme for air navigation services and network functions (OJ L 128, 9/5/2013, p. 1 (hereinafter referred to as "Commission Implementing

Regulation 390/2013/EU"), the 2015–2019 FAB CE Performance Plan for the second reference period of monitoring the EU-wide performance targets was adopted on 07 May 2015 at the level of the member states of the FAB CE, which also outlines Slovenia's contribution to the achievement of the adopted EU-wide performance targets.

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

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

BASIC DATA ON THE COMPANY

Company name:

KONTROLA ZRAČNEGA PROMETA
SLOVENIJE, d. o. o.

SLOVENIA CONTROL,
Slovenian Air Navigation Services, Limited

Short company name:

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

Place of registered office:

Zgornji Brnik

Business address:

Zgornji Brnik 130 n, 4210 Brnik – aerodrom

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

Transaction accounts:

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

Registration authority:

Kranj District Court

Principal activity:

52.230 Service activities incidental to air
transportation

Ownership:

100%-owned by the Republic of Slovenia

Share capital:

EUR 5,525,705.66

Number of employees:

229 (as at 31 December 2018)

Contact information:

Telephone no.: 00 386 4 20 40 000

Fax no.: 00 386 4 20 40 001

E-mail: info@sloveniacontrol.si

Website: www.sloveniacontrol.si

Corporate governance bodies:

Founder, Supervisory Board and CEO

Founder:

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

CEO:

Franc Željko Županič, PhD

Supervisory Board:

Representatives of the Founder:

Dušan Hočevar, MSc, President

Marija Šeme Irman, MBA, Deputy President

Gorazd Čibej, MSc, Member

Nikolaj Abrahamsberg, MSc, Member

Employee representatives:

Žiga Ogrizek, Member

Davor Mizerit, Member

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

Company name: FABCE, Aviation Services, Ltd.

Place of registered office: Zgornji Brnik

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

Share capital: EUR 36,000

Investment book value: EUR 16,000

Equity stake held by Slovenia Control, Ltd.: 1/6 of the company's share capital, totalling EUR 36,000

FABCE, Aviation Services, Ltd. (FABCE, letalske storitve, d.o.o.), was established on 17 October 2014 and registered in the Court Register kept by the Kranj District Court on 17 November 2014.

STATUS AND ACTIVITY

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

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

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

Slovenia Control is qualified to carry out air traffic management and control activities in all phases of flight in a safe, proper and efficient manner, to ensure the safe flow of traffic at airports, to provide aeronautical information services, to implement, upgrade and maintain technical air traffic management and control systems and equipment, and to train and maintain the competence of operational personnel. The Company is a public utility providing services of public interest and is

the only company of its kind in Slovenia, placing its staff in a special position comparable only to that of the personnel employed at companies performing the same activity abroad. Utilising the technical know-how of its employees, who are required to hold special licences demonstrating that they possess the necessary knowledge and skills, the Company supports the development of air transport by participating in local and international development activities and creatively contributing to decisions advantageous to Slovenia.

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

ORGANISATIONAL STRUCTURE

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

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

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

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

Training for operational personnel is carried out at the Flight School, an independent organisational unit.

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

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

On 1 March 2019, change in internal organisation of the Company, referring mainly to minor adaptation of work organisation in non-operative services, entered into force. The said change included establishment of the Certification, Project Management and Personnel Training, to which tasks in the areas of certification and project management were transferred, as well as those of the Flight School – a department which thus became an independent organisational unit.

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

Chart 1 / Organisational chart

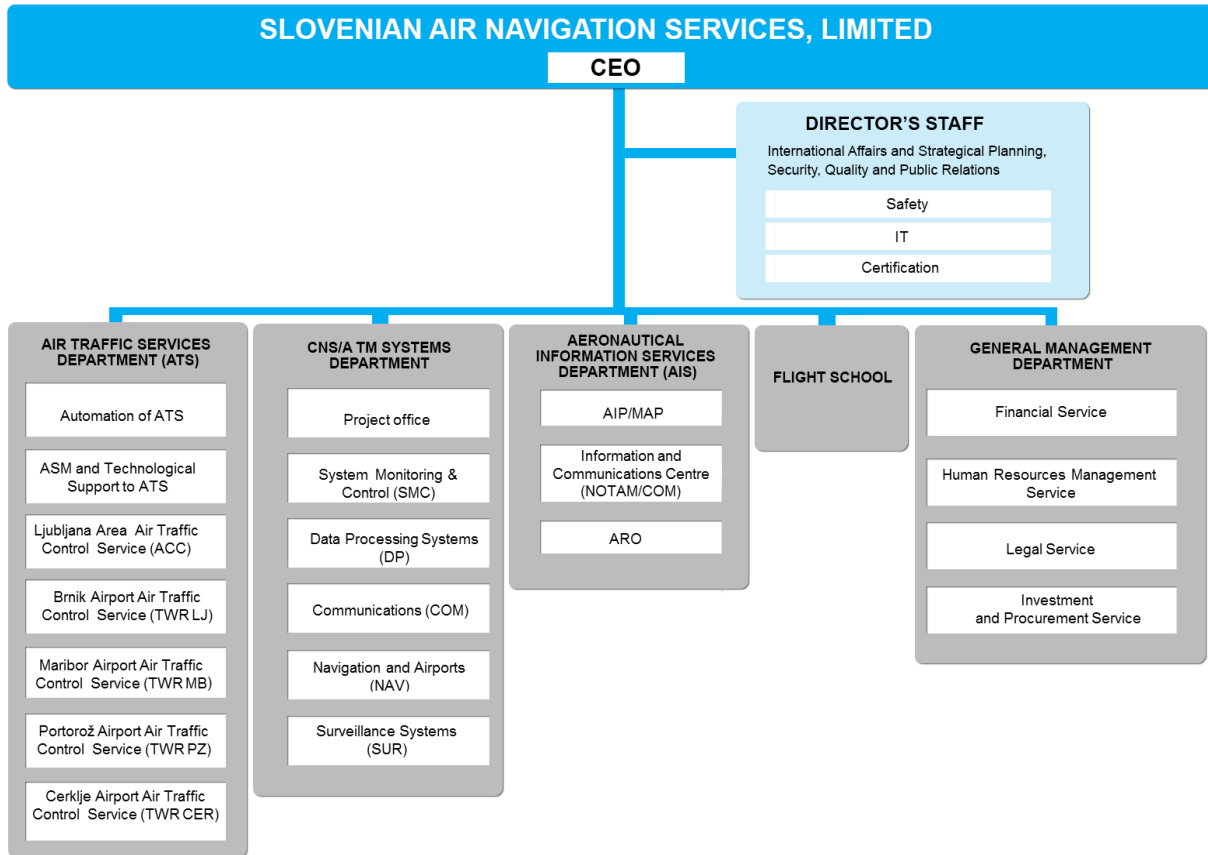
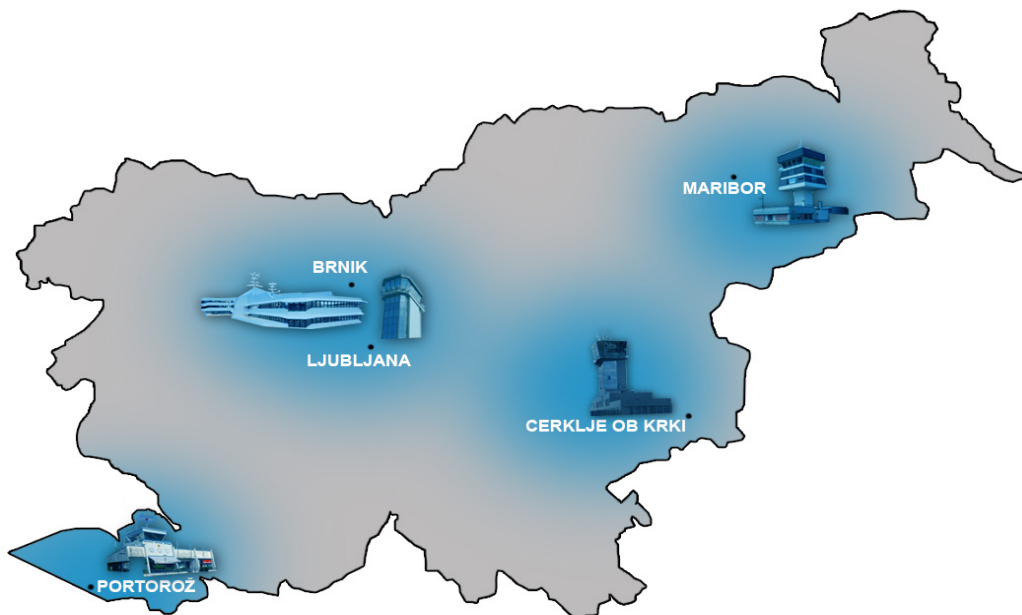


Chart 2 / Company facilities



CEO'S REPORT

The year 2018 will be remembered as one of records. Traffic in the Slovenian airspace followed favourable economic conditions and the upward trend of air traffic in the European airspace. Steady growth of air traffic in the last year which – in spite of considerably cautious economic forecasts – continues in 2019 as well, on the other hand implies limitations regarding capacity of the entire European system from the point of future growth. In 2018, a total of 439,286 flights were carried out in the airspace of the Republic of Slovenia, of which 423,154 were flown under Instrument Flight Rules, i.e. IFR flights, constituting a 9.7% increase over the year 2017, which is considerably more than 3.9% growth in traffic in Europe (EU-28). Traffic growth was also reflected in the higher number of service units. In terms of en-route flights in the Slovenian airspace, the Company saw an increase of 9% compared to 2017, whereas in the terminal traffic, a 6.9% growth was recorded in comparison to 2017. Traffic growth is also reflected in successful operations of the Company, which in 2018 generated a good EUR 39.5 million in net sales revenues, up 4% from 2017. Total revenues of the Company amounted to almost EUR 40.4 million while net profit for the business year significantly exceeded the planned figure and amounted to EUR 3.2 million.

The Company continued to be actively engaged in international space both within the Functional Airspace Block Central Europe (FAB CE) and in collaboration with international organisations and stakeholders (Eurocontrol, ICAO, CANSO, BLUE MED, Gate One, DANUBE FAB). By active and proactive involvement the Company strives to maintain its important role at the level of FAB CE air

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

In February 2018, less than a year after the signing of the Memorandum of Cooperation aimed at merging the SAXFRA Free Route Airspace (Slovenian Austrian Cross-border Free Route Airspace) and the SEAFRA Free Route Airspace (South-East Axis Free Route Airspace – the project of three ANSPs from Bosnia and Herzegovina, Croatia, Serbia and Montenegro) was successfully implemented in South-Eastern Europe – South East Common Sky Initiative Free Route Airspace - SECSI FRA. Outstanding achievements of the Company and other project partners are recognised by a prestigious award Single European Sky Award in the category of Network Performance, received on 12 March 2019 at the world ATM Congress in Madrid. With this award we prove to be part of creating the future. Successful implementation of a project shows that wide European visions are possible by co-operation of different air navigation service providers, countries and partners, working together for greater benefit of both air traffic and sensitive environment, at the same time preserving their identity and sovereignty. The cross-border free route airspace enables the airspace users to fly efficiently along the shortest possible routes in

the shortest possible time and using as little fuel as possible, and consequently contributes to reaching goals in the area of sustainable development.

The Company continued to make successful use of EU grant mechanisms for its technological development programmes and in 2018 it implemented five technological projects, oriented towards the Company's future and the economic benefit of users of the Slovenian airspace. In the previous years, the Company has obtained European funds for three out of its five projects and in 2018 it was successful in receiving European funding for two projects. Setting up and implementation of Slovenia Wide Area Multilateration System – SLOWAM is an important project for the Company and represents a technologically advanced and more price-efficient solution to replace the existing radar surveillance systems for coverage of the airspace, which will contribute to better detection of aircraft, especially in the Eastern part of Slovenia.

It has to be emphasised again that the use of EU grant mechanisms does not merely enable Slovenia Control to meet the requirements of the Single European Sky framework, but it also drives the Company's constant improvement of its technical equipment and the source of new knowledge which is the result of co-operation in the area of air traffic management and control on the international scale. The Company carries out all these activities through FABCE, Ltd., a joint venture established together with the air navigation service providers of the other FAB CE member states, with the exception of BHANSA, the service provider from Bosnia and Herzegovina, for the purpose of meeting the requirements of the legislation on the Single European Sky and the exploitation of the synergies expressed through joint technological projects and implemented process of common public procurement process.

Striving to ensure the prescribed levels of services and security of air traffic, the Company will in the future also focus its activities and projects

on productive cooperation with all participants in the field of aviation aimed at contributing to the sustainable development of the air traffic system by improving the general efficiency of air navigation services in the key performance areas of safety, capacity, environment and cost-effectiveness, and development of a modern business model for air navigation services. The adequate contribution of the Republic Slovenia and the Company to the achievement of the EU-wide performance targets in new, i.e. the third five-year reference period 2020–2024 of monitoring the performance will be disclosed in the new Performance Plan. By providing adequate operational and technological capacity to achieve planned operational goals, Slovenia Control aims to maintain the high level of qualification and expertise of its staff, achieve a high level of individual and organisational safety culture and strengthen its competitive position both within and outside the Functional Airspace Block Central Europe (FAB CE).

Franc Željko Županič, PhD
CEO



REPORT OF THE SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD IN 2018

In accordance with Article 14 of the Memorandum of Association of the Public Corporation Slovenia Control Limited, the Supervisory Board is composed of 6 members, 4 of whom are appointed by the Founder and 2 are elected by the Workers' Council.

In 2018, the Supervisory Board consisted of the following representatives of the Founder:

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

and the following employee representatives:

- Žiga Ogrizek, reappointed member since 1 July 2016, with the term of office until 30 June 2020;
- Davor Mizerit, member since 1 July 2016, with the term of office until 30 June 2020.

MEMBERSHIP OF SUPERVISORY BODY MEMBERS IN MANAGEMENT AND SUPERVISORY BODIES OF OTHER COMPANIES:

- Dušan Hočevar, MSc, President of the Supervisory Board of Javno komunalno podjetje Grosuplje, d.o.o. and member of the Supervisory Board of the Fund for Financing the Decommissioning of the Krško Nuclear Power Plant;
- Nikolaj Abrahamsberg, MSc: Deputy Chairman of the Supervisory Board of Elektro Primorska d.d.;
- Marija Šeme Irman, MBA: Chair of the Supervisory Board of Elektrooptika d.d.;
- Žiga Ogrizek: Chairman of the Supervisory Board of FABCE, Ltd.

MEETINGS OF THE SUPERVISORY BOARD IN 2018

In 2018, the Supervisory Board held a total of 14 meetings, of which 9 were regular and 5 correspondence meetings. Members of the Supervisory Board attended all meetings, except Nikolaj Abrahamsberg, MSc, Žiga Ogrizek and Davor Mizerit who attended 13 out of 14 meetings of the Supervisory Board.

MONITORING OF THE COMPANY'S OPERATIONS AND OTHER ACTIVITIES OF THE SUPERVISORY BOARD IN 2018

The Supervisory Board's work in 2018 was mainly devoted to monitoring Slovenia Control's operations, focusing in particular on its financial condition. As part of monitoring the Company's financial condition, the Supervisory Board regularly reviewed interim reports on the Company's operations and also examined Slovenia Control's financial condition when considering other matters bearing financial consequences for the Company.

The Supervisory Board regularly checked the implementation of cost optimisation measures. Borrowing stayed within the planned limits, and the Company settled all of its financial liabilities regularly and on time. The Supervisory Board also devoted a great deal of its time to monitoring and exploring options for settling the Company's outstanding liabilities.

In addition to the financial aspect, the monitoring of the Company's operations also included regulatory compliance and integrity, the implementation of business plans, the realisation of planned investments, risk management and the implementation of the resolutions of the Supervisory Board and the Founder. All the resolutions adopted by the Supervisory Board in 2018 were implemented.

On 31 January 2018, the Supervisory Board adopted a resolution that legal transactions concluded by the Company and exceeding EUR 100,000.00 excluding VAT require prior approval of the Supervisory Board and in this way decreased the value limit for obtaining approval from the Supervisory Board for concluding contracts and annexes to contracts, which according to provisions of the Memorandum of association of the Company equals to EUR 500,000.00. By this measure the Supervisory Board actively implemented supervision over the Company's investments and costs.

In 2018, it thoroughly monitored the implementation of centralisation of the System Monitoring and Control, as with this reorganisation the Company

achieved the goal to improve operating performance and optimise costs.

At the beginning of 2018, the Supervisory Board concluded the selection procedure for the CEO of the Company. Based on the proposal by the Supervisory Board, Slovenian Sovereign Holding on 22 March 2018 appointed Franc Željko Županič, PhD for another 5-year term of office. On 4 October 2018, the Supervisory Board adopted Succession Planning Policy and established the internal procedure to provide continuity in managing the Company.

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

In 2018, the Supervisory Board examined the Audited Annual Report for 2017 and, having no comments, approved it. The approved Annual Report was also reviewed by the Founder.

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

The Supervisory Board adopted the 2019 Annual Business Plan of Slovenia Control, Ltd., which will serve as the basis for the Company's activities and operations in 2019 and will ensure:

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

- appropriate professional qualification, social security and motivation of the staff.

The 2019 Annual Business Plan is based on the 2016–2020 Business Plan and is harmonised with the 2015–2019 Performance Plan for FAB CE for the second reference period of monitoring the EU-wide performance targets. The 2019 Annual Business Plan is targeted at the achievement of the Company's goals through the planned activities and measures.

In 2018, the Supervisory Board together with the management reviewed the Corporate Governance Policy and monitored the implementation of the Corporate Governance Code for Companies with Capital Assets of the State adopted by the Slovenian Sovereign Holding in May 2017. It also monitored the implementation of the Recommendations and Expectations of the Slovenian Sovereign Holding adopted in March 2018 and on their basis adopted more detailed rules on granting donations, as the Company does not practice sponsoring. The Supervisory Board regularly monitored the flow of documentation and information and attended meetings between the Company and the Founder, whose powers were exercised on its behalf by the Slovenian Sovereign Holding in 2018.

INTERNAL ORGANISATION OF THE SUPERVISORY BOARD AND ESTABLISHMENT OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD

In 2018, the composition of the Supervisory Board did not change.

Members of the Board acted independently in their decision-making, employing the highest level of professionalism, readiness to discuss the issues presented in the meeting documents and willingness to collaborate in a constructive manner. Where necessary, they obtained additional information and clarifications regarding the documents considered at their meetings. They adopted resolutions in accordance with their powers, in compliance with high ethical standards.

On 6 December 2018, the Supervisory Board established a four-member Audit Committee of the Supervisory Board and appointed the following members with a four-year term of office:

- Marija Šeme Irman, MBA, President of the Audit Committee;
- Dušan Hočevár, MSc, Deputy President of the Audit Committee;
- Urška Kiš, external member, independent expert; and
- Davor Mizerit, member (appointed by the Workers' Council).

In 2018, the Audit Committee has not yet started, as it was set up in December.

In 2018, the Supervisory Board did not appoint any ad hoc committees.

EVALUATION OF THE EFFICIENCY OF THE SUPERVISORY BOARD

The Supervisory Board carried out an evaluation of its efficiency in 2018, as part of which all of the Board's members completed self-assessment matrices and discussed their analysis. The Supervisory Board also held a separate discussion on the analysis of the evaluation.

COSTS OF OPERATION OF THE SUPERVISORY BOARD

On 28 July 2011, the Founder adopted a resolution laying down the attendance fees to be received by the members of the Supervisory Board and its committees. The resolution also laid down the base remuneration for the performance of the function in the Supervisory Board and the additional remuneration for committee members. On 10 June 2013, the Supervisory Board adopted the resolution laying down the amount of remuneration of the external member of the Audit Committee of the Supervisory Board. The remuneration of individual Supervisory Board members is presented in further detail in the financial report.

ANNUAL REPORT FOR 2018

After the end of the 2018 financial year, the Supervisory Board and the Audit Committee reviewed the Audited Annual Report for 2018 and the proposal for the appropriation of the distributable profit, which the Company, pursuant to the Companies Act (ZGD-1), had audited by its chosen audit firm, Ernst & Young, d.o.o. The Annual Report was prepared in accordance with the Companies Act and the International Financial Reporting Standards (IFRS). The report presents the Company's operating conditions and results in 2018 and consists of two parts: the management report and the financial report.

The management report presents Slovenia Control's operations in 2018. It outlines the key events and factors affecting the Company's performance in 2018 and after the end of the financial year, the key figures and performance indicators for 2018 and the provision of air navigation services in 2017, with a report on HR development and the provision of adequately qualified operational personnel as an extremely important factor for the performance of the Company's activities. The management report also includes a report on the major investments in 2018, the management of the risks to which the Company is exposed, the Company's contribution to sustainable development, air traffic data and the key plans for 2019 as well as the expectations for the Company's development.

As regards the financial report, the Supervisory Board has determined that the report is clear and transparent and that the financial statements give a true and fair view of the Company's assets and liabilities, financial position and results. The report includes a breakdown of the financial statements as well as notes to certain items in the financial statements.

At its 122nd regular meeting held on 17 April 2019, the Supervisory Board discussed the audited Annual Report for 2018 and the Audit Committee's Report on revision of unaudited and audited Annual Report for 2018 and, having no comments, approved it. The Supervisory Board gave a positive opinion on the auditor's report issued by Ernst & Young, d.o.o.

The Supervisory Board also reviewed the proposal for the appropriation of the distributable profit and adopted the respective resolution. The proposed appropriation of the distributable profit will enable the Company to sufficiently meet the technical, technological and operational requirements and make the necessary investments in infrastructure for the provision of air navigation services, particularly to ensure sufficient capacity as required by the binding EU-wide target for that key performance area and as stipulated by Slovenian and EU regulations, with the aim of ensuring the safe, proper, efficient and uninterrupted provision of services.

The Supervisory Board assessed the Company's performance in 2018 as successful.



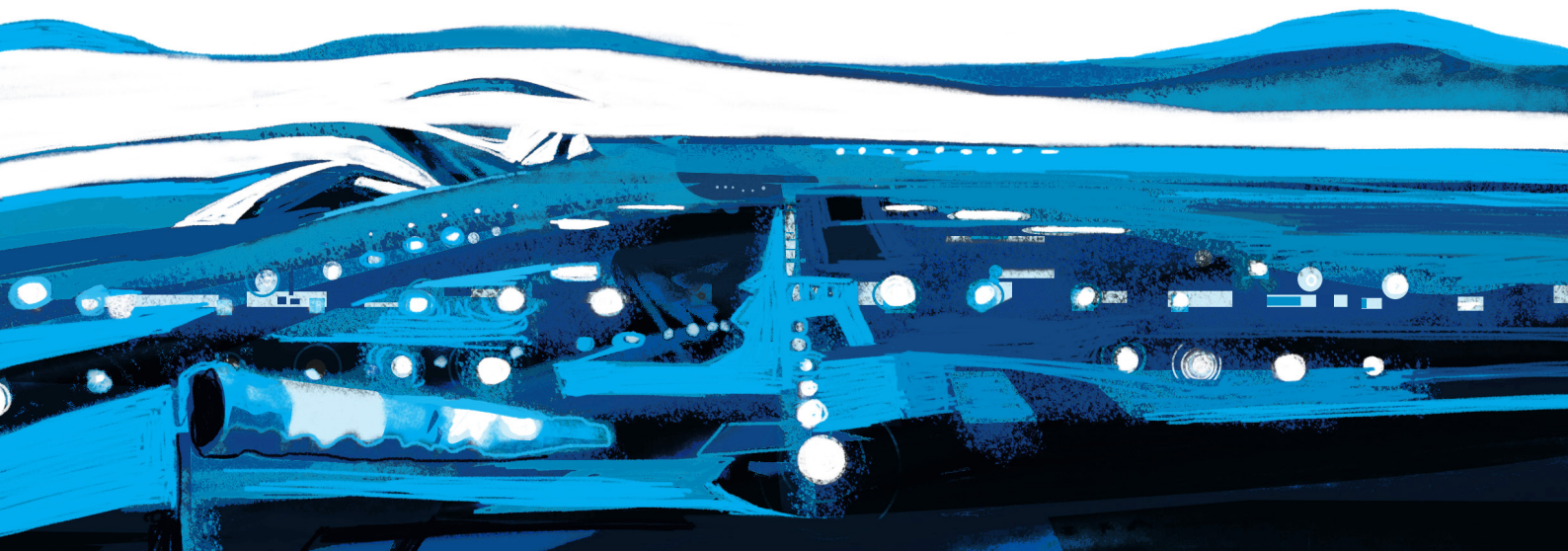
PLANS FOR 2019

In 2019, the Supervisory Board will continue its efforts for the regular and effective supervision of the Company's operations and further improve it by functioning of the Audit Committee of the Supervisory Board. Special attention will be paid to monitoring monthly and quarterly performance data, financial statements, procedures to conclude major deals as regards the Company's expenses, and risk management, including accounts receivable collection. In 2019, the Supervisory Board and its commissions will start operating electronically. It is additionally planned to carry out internal audit of purchases in the Company.

Dušan Hočevar, MSc



PRESIDENT OF THE SUPERVISORY BOARD



CORPORATE GOVERNANCE STATEMENT

Pursuant to Article 70(5) of the Companies Act (Official Gazette of the Republic of Slovenia No. 65/09 – official consolidated text, 33/11, 91/11, 32/12, 57/12, 44/13 – CC decision, 82/13, 55/15 and 15/17; hereinafter referred to as “the Companies Act”) and Article 26(4) of its Memorandum of Association, Slovenia Control, Slovenian Air Navigation Services, Limited hereby issues its corporate governance statement for 2018.

1. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In 2018, Slovenia Control, Slovenian Air Navigation Services, Limited operated in compliance with the Corporate Governance Code for Companies with Capital Assets of the State as adopted by the Slovenian Sovereign Holding (hereinafter referred to as the “SSH”) in May 2017. The Code is available at www.sdh.si.

The Code is reasonably applied by the Company according to its ownership structure, size and activity. Individual deviations from the Code are presented hereinafter below.

Diversity Policy (point 3.6 of the Code)

Slovenia Control has no formal diversity policy in place concerning diversity in the Company’s management and supervisory bodies in terms of gender, age or education. It has a single-person

management body, and the members of the Supervisory Board representing the Founder are appointed by the SSH, while both employee representatives are elected by the Workers’ Council. Nevertheless, the composition of the supervisory body in particular ensures the complementarity of the knowledge and experience of its members and the heterogeneity of its composition.

Competence profile of the Supervisory Board members (point 6.4.1 of the Code)

Although the Company’s Supervisory Board did not determine and publish the competence profile of the Supervisory Board members, the heterogeneity as well as the complementarity of knowledge and composition of its members is ensured.

2. STATEMENT OF COMPLIANCE WITH THE RECOMMENDATIONS

In 2018, Slovenia Control, Slovenian Air Navigation Services, Limited also followed the Recommendations and Expectations of the Slovenian Sovereign Holding of March 2018. Prior to that, the Company had followed the Slovenian Sovereign Holding’s Recommendations and Expectations of May 2017. The Recommendations and Expectations are published at www.sdh.si. The said latest applicable recommendations are reasonably applied by the Company according to its ownership structure, size and activity, while individual deviations from them are presented below.

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

Slovenia Control observes this recommendation with consideration of the requirements of the Slovenian legislation and EU regulations on the Single European Sky, especially the provisions of:

- the Act on the Provision of Air Navigation Services (Official Gazette of the Republic of Slovenia No. 30/06 – official consolidated text, 109/09, 62/10 – ZLet-C and 18/11 – ZUKN-A);
- Commission Implementing Regulation (EU) No 1035/2011 of 17 October 2011 laying down common requirements for the provision of air navigation services and amending Regulations (EC) No 482/2008 and (EU) No 691/2010 (OJ L 271, 18/10/2011, p. 23), last amended by Commission Implementing Regulation (EU) No 448/2014 of 2 May 2014 amending Implementing Regulation (EU) No 1035/2011 by updating references to the Annexes to the Chicago Convention (OJ L 132, 03/05/2014, p. 53) (hereinafter referred to as Commission Implementing Regulation (EU) No 1035/2011); and “Implementing Regulation No 1035/2011/EU”);
- the Memorandum of Association.

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

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

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

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

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

3. COMPLIANCE AND CORPORATE INTEGRITY SYSTEM

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

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

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

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

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

Financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the Companies Act. The data in the financial statements is based on bookkeeping documents and books of account kept in accordance with the IFRS. They give a true and fair view of the Company's financial position and results for 2018. The financial statements and notes were prepared on a going concern basis.

The following fundamental accounting assumptions were applied: the accruals basis, going concern, and the four principle qualitative characteristics of financial statements – understandability, relevance, reliability and comparability. The following fundamental accounting principles were applied in the accounting policies: prudence, substance over form, and materiality. Slovenia Control

ensures accuracy, completeness and truthfulness in financial reporting by means of a number of checks, including checks of figures with customers and suppliers, checks of the completeness of data collection, checks of the segregation of duties and responsibilities, checks of the restriction of access to accounting records and supervision checks. Since the accounting process is computerised, all of the above controls are also integrated with the control systems built into the IT systems. IT-related and other risks are described in more detail in the Risk Management section.

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

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

5. INFORMATION ON THE OPERATION OF THE GENERAL MEETING

The sole founder of Slovenia Control is the Republic of Slovenia. The Founder's powers are laid down in more detail in the Memorandum of Association. In 2018, the Founder exercised its powers through the Slovenian Sovereign Holding.

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

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

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

On the proposal of the Supervisory Board the CEO is appointed by the Founder for a five-year term of office. The CEO of the Company is Franc Željko Županič, PhD who has been employed with the Company on the basis of an individual service contract since 21 March 2008 when he was first appointed to the position of the CEO. The present, i.e. third term of office, which started on 22 March 2018 will expire on 22 March 2023. The work of the CEO in 2018 is presented in more detail in the CEO's Report.

In accordance with the Memorandum of Association, the Supervisory Board is composed of six members, four of whom represent the Founder and two represent the employees. The composition and operation of the Supervisory Board are presented in more detail in the 2018 Report on the Work of the Supervisory Board.

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

Franc Željko Županič, PhD

CEO



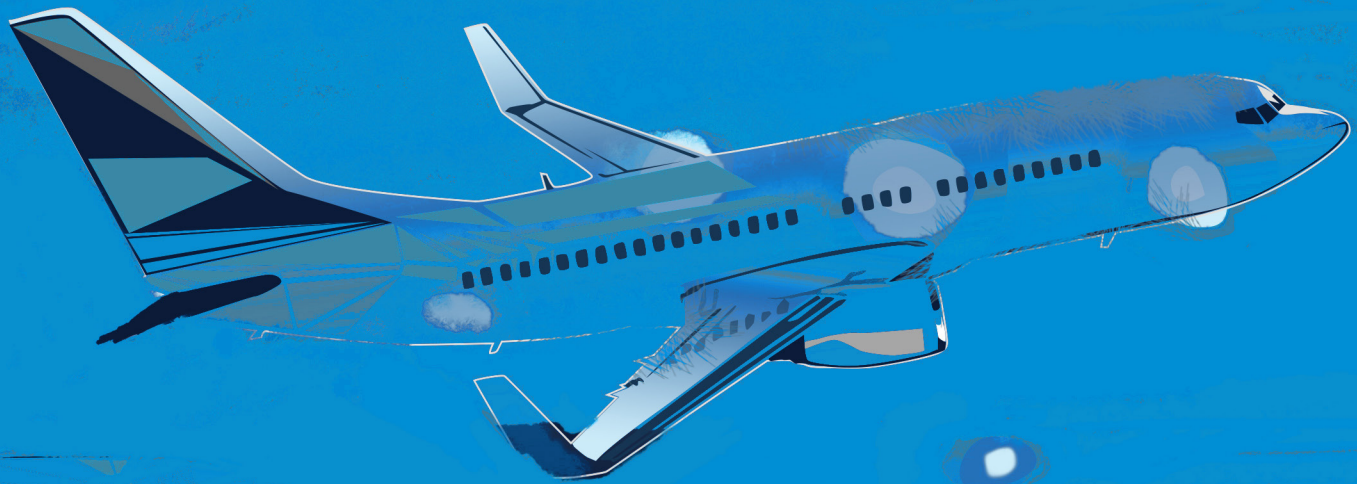
Dušan Hočevar, MSc

PRESIDENT OF THE SUPERVISORY BOARD



Zgornji Brnik, 15/03/2019

BUSINESS REPORT





1

KEY EVENTS AND FACTORS AFFECTING PERFORMANCE IN 2018 AND AFTER THE END OF THE FINANCIAL YEAR

The growth in traffic by the number of flights in Slovenia followed the EU-28 trend in 2018, where the traffic increased by 3.9%. In FIR Ljubljana even higher, as much as 9.7% growth in the number of IFR flights as compared to 2017 was recorded, which represents 19.9% more than in 2016. Traffic growth in Slovenian airspace was also reflected in the higher number of service units. Volume of traffic in terms of en-route service units in the Slovenian airspace in 2018 grew by 9% as compared to 2017 or was 8% above the planned, while the number of terminal service units was 6.9% higher than in 2017 and 9.2% above the plan.

2018

January

- Slovenia Control was, together with Eurocontrol MUAC, shortlisted for the JANE's Award granted by the Jane's Aviation magazine for the ATM Data as a Service (AdaaS) project, and, together with the air navigation service providers of Austria, Croatia, Bosnia and Herzegovina, Serbia and Montenegro, for the South East Common Sky Initiative Free Route Airspace project – SECSI FRA. Also nominated was FABCE, Ltd., for the common equipment procurement programme.

- FAB CE produced an interim project report "FAB CE wide implementation of DAM and STAM Study" (DAM project). The study will be conducted with the aim of improving airspace management processes, with a particular focus on dynamic airspace management. Slovenia Control is the project partner, whereas FABCE, Ltd., is the project coordinator. The main target is to reach full compliance of all FAB CE member states with the regulations on the Single European Sky.

February

- On 1 February 2018, the terminal unit rate for all three international airports was reduced from EUR 217.06 to EUR 205.33.
- On 1 February, less than a year after the signing of the Memorandum of Cooperation aimed at merging the SAXFRA Free Route Airspace (Slovenian Austrian Cross-border Free Route Airspace) and the SEAFRA Free Route Airspace (South-East Axis Free Route Airspace – the project of three ANSPs from Bosnia and Herzegovina, Croatia, Serbia and Montenegro), the merged free route airspace was successfully implemented in South-Eastern Europe – South East Common Sky Initiative Free Route Airspace - SECSI FRA.



- The Company signed with Aerodrom Maribor the Agreement on provision of aeronautical data and training of their personnel for the use of WebADP application for provision of aeronautical data.
- On 19 February, a fire evacuation drill titled “Aeroplane Crash” was organised at Cerklje ob Krki Airport, participated in by employees of TWR Cerklje ob Krki.

March

- Slovenia Control submitted to the European Commission the project application for ATM Data as a Service - Cluster Deployment project which is a continuation of the successfully concluded ADaaS project. Slovenia Control submitted the project independently and acts as the project coordinator.
- It participated in application of the “SWIM Common PKI and policies & procedures for establishing a trust framework” project (SWIM PKI) under the umbrella of SESAR Deployment Manager (hereinafter referred to as “SDM”). Slovenia Control co-operates as one of 29 project partners while the project coordinator is Eurocontrol and the main project manager is SDM.
- Slovenia Control prepared a proposal of Annual Report 2017. The Unaudited Annual Report was discussed together with a proposed Report on the Work of the Supervisory Board for 2017 by the Supervisory Board at its 112th regular meeting held on 13 March 2018.
- The Company’s representatives attended the World ATM Congress, which took place from 6 to 8 March in Madrid. Once a year the Congress is a meeting point for representatives of air navigation service providers, ATM experts, representatives of professional associations and other international aviation organisations and representatives of leading technology providers.
- On 20 March, the CEO of Slovenia Control attended the meeting of FAB CE Council (which is the highest body of FAB CE) in Vienna.

- On 21 March, five years had passed since the official movement of the company from Ljubljana to Brnik into a new business building and the Air Traffic Control Centre (ATCC). In this period, 1,376,667 IFR operations were performed from the new centre.

April

- Slovenia Control submitted to the European Commission the application for SLOWAM project. This is the project for implementation of the new control system WAM, independent from radar systems. The WAM system will establish a new control chain which will significantly increase the scope of radar coverage. Slovenia Control submitted the project independently and acts as the project coordinator.
- The Supervisory Board reviewed and approved Slovenia Control’s Annual Report for 2017 and the Report on the Work of the Supervisory Board for 2017 on its 113th regular meeting held on 16 April 2018 and gave a positive opinion on the Auditor’s Report issued by Ernst & Young d.o.o., and considered and approved the proposal for the allocation of the distributable profit.
- Slovenia Control forwarded the audited Annual Report 2017 with a proposal for the allocation of the distributable profit to SDH, which in line with the Memorandum of Association of the Public Corporation Slovenia Control, Limited acknowledges the audited Annual Report and pursuant to the fourth indent of the second paragraph of Article 11 of said act decides on the proposal for the allocation of the distributable profit.
- The Government of the Republic of Slovenia adopted standpoints regarding the attendance of delegation of the Republic of Slovenia at the 13th Conference of the International Civil Aviation Organisation (ICAO) which took place from 9 to 19 October in Montreal and appointed the delegation for said conference. The nominated representatives of the Slovenian delegation included the CEO of Slovenia Control and Head of its Air Traffic Services.



- A VFR Aeronautical Chart of the Republic of Slovenia 2018 in 1:250,000 scale was published, which is available free of charge to all licence holders on the Company's website.

May

- The European Commission adopted Commission Implementing Decision of 8 May 2018 on the compliance of unit rates for charging zones with Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013 pursuant to Article 17 of Implementing Regulation (EU) No 391/2013 (OJ L 118, 14/5/2018, p. 18), from which it derives that unit rate (charge) for en-routes in the Republic of Slovenia is in line with the said EU regulations.
- On 12 May 2018, Slovenia Control organised a seminar for users of Slovenian airspace which was attended by a large number of participants.
- On 21 May, representatives of Slovenia Control participated in a public consultation with airspace users, which was organised by the Ministry of Infrastructure of the Republic of Slovenia. The event was intended for the establishment and maintaining contact between the interested organisations and all stakeholders in the field of aviation.
- On 24 and 25 May, representatives of Slovenia Control attended the workshop on the topic of new Commission Implementing Regulation (EU) 2017/373 of 1 March 2017 laying down common requirements for providers of air traffic management/air navigation services and other air traffic management network functions and their oversight, repealing Regulation (EC) No 482/2008, Implementing Regulations (EU) No 1034/2011, (EU) No 1035/2011 and (EU) 2016/1377 and amending Regulation (EU) No 677/2011 (OJ L 62, 8/3/2017, p. 1) (hereinafter referred to as "Commission Implementing Regulation 373/2017/EU") and managing changes, which was organised by the Civil Aviation Agency of the Republic of Slovenia in co-operation with the European Organisation for the Safety of Air Navigation Eurocontrol.

June

- At the beginning of June Slovenia Control participated in the preparation and implementation of international military exercises "Ramstein Guard 2018" and "Adriatic Strike 2018".
- On 6 and 7 June it participated in the European cyber exercise in the field of civil aviation called "Cyber Europe 2018", which was organised by the EU Agency for Network and Information Security, and the coordinator in Slovenia was the Government Office for the Protection of Classified Information.
- On 7 June, Slovenia Control hosted a representative of the Slovenian Translation Department at the European Commission at the working meeting.
- In June, it adopted a decision to approach the reorganisation of the lower part of the airspace in FIR Ljubljana under FL-245. The purpose of reorganisation is the optimisation of approach and departure procedures at Slovenian airports and the entire volume of airspace with the purpose of the most optimal use.
- On 20 and 21 June, the revision of the ADaaS1 project, 50% co-financed by the European funds, was held at the headquarters of Slovenia Control. The project, which the Company joined in 2015, was concluded on 31 December 2017. The revision was done by the auditors of the European Commission and Innovation and Networks Executive Agency (INEA), who did not have any comments for the project management.
- Slovenia Control's representatives attended the regular June session of Eurocontrol's Enlarged Committee for Route Charges in Brussels, where the final cost bases for 2017 and preliminary cost bases and unit rates for 2019 were discussed and approved in consultation with the representatives of air navigation service users.
- On 27 June, the management board of the Slovenian Sovereign Holding adopted several

decisions on behalf and for the account of the Republic of Slovenia as the Founder and sole member of the Company, including the decisions:

- to use the Company's distributable profit, which stood at EUR 1,628,135.60 as at 31 December 2017, as follows:
 - I. EUR 1,300,000.00 to pay a dividend to the Company's sole member, with the payment to be made by no later than 30 October 2018;
 - II. the rest of the distributable profit of EUR 328,135.60 shall remain non-allocated;
- to adopt amendments and supplements to the Memorandum of Association by adopting the consolidated text of the Memorandum of Association of the Public Corporation Slovenia Control, Limited.
- to grant discharge of liability to the management and the Supervisory Board for the 2017 business year.
- At the end of June, two new records were attained in terms of the number of operations by the Ljubljana Area Control Centre. On 30 June, air traffic controllers improved the highest daily score and reached 1,450 operations (previously 1,427 operations) and in the last week of June the score of 8,635 operations exceed the highest weekly traffic by the number of operations (previously 8,341 operations).

July

- July was marked by new records regarding the number of operations performed. Each week in this month, air traffic controllers at the Ljubljana Area Control Centre exceeded the highest recorded achievements regarding the scope of weekly traffic. Thus the figure of 9,272 operations in the week from 16 to 22 July represents an absolute weekly result.
- In July, controllers at the Ljubljana Area Control Centre also achieved the highest daily score in Saturday, 14 July when 1,522 operations were carried out in one day.
- In July, a new monthly record was also achieved by the Ljubljana Area Control Centre with 39,943 operations performed.

August

- On 20 August, the Minister of Infrastructure authorised Slovenia Control to participate in representation of the Republic of Slovenia in drafting the text of an international agreement on regulation of damage liability in implementing cross-border air navigation services. Within this authorisation the authorised persons of the Company will together with representatives of the Air and Sea Traffic Directorate at the Ministry for Infrastructure participate in the work of working groups of representatives of state bodies of Austria, Bosnia and Herzegovina, Croatia, Czech Republic, Slovakia, Hungary and Italy.
- On 31 August, in the process of continuous monitoring of compliance of air navigation service providers, the Civil Aviation Agency of the Republic of Slovenia carried out the supervision of compliance of the Company with general requirements for the provision of air navigation services in the part referring to items 2.2.2 (Annual Report), 6.1 (Business and Financial capacity) and 6.2 (Financial Audit) of Annex I to Commission Implementing Regulation No 1035/2011/EU and established compliance of the Company as air navigation services provider with said requirements.

September

- Slovenia Control prepared the Draft Annual Business Plan 2019 which was discussed by the Supervisory Board of the Company at its 116th regular meeting held on 10 September 2018. According to the Memorandum of Association of the Public Corporation Slovenia Control, the Annual Business Plan is adopted by the Supervisory Board and on the basis of Article 8 of the Act on the Provision of Air Navigation Services it is subsequently approved by the minister responsible for traffic.
- Based on the contract between Slovenia Control and the Air Navigation Services of the Czech Republic – ANS CR, the subject of which is the service of training operational



personnel – air traffic controllers for the needs of the air navigation service provider of Bosnia and Herzegovina (BHANSA), on 17 September training of 3 air traffic controllers – beginners from Bosnia and Herzegovina started to attain a work licence and thereby a licence to independently perform the profession of air traffic controllers.

- On 29 September, Slovenia Control participated at the Open Door Days event at RC Portorož by organisation of guided tours around control tower in Portorož.

October

- The final Annual Business Plan 2019 was prepared and the Supervisory Board discussed and adopted it at its 117th regular meeting which was held on 4 October 2018. Pursuant to Article 8 of the Act on the Provision of Air Navigation Services the Annual Business Plan was submitted to the minister responsible for traffic for approval and to the Slovenian Sovereign Holding for information.
- On 2 October 2018, pursuant to Article 17 of Commission Implementing Regulation (EU) No 391/2013 of 3 May 2013 laying down a common charging scheme for air navigation services (OJ L 118, 14/5/2018, p. 18 (hereinafter referred to as “Commission Implementing Regulation 391/2013/EU”) the European Commission notified the Slovenian competent authorities that unit rates for en-route and terminal air navigation services, which the Republic of Slovenia submitted by reporting tables by 1 June 2018, comply with the provisions of Commission Implementing Regulations 390/2013/EU and 391/2013/EU.
- The CEO of Slovenia Control and Head of its Air Traffic Services as representatives of the Republic of Slovenia in line with appointment of the Government of the Republic of Slovenia attended the Conference of the International Civil Aviation Organisation (ICAO) which took place from 9 to 19 October in Montreal.

- On 17 October the “Aircraft 2018” a fire drill of the 15th wing of military aviation of the Slovenian Armed Forces was held at the Cerklje ob Krki Airport, which was participated in by the employees of TWR Cerklje ob Krki.

- In accordance with the Act on the Provision of Air Navigation Services, and EU legislation on the Single, the Annual Business Plan for 2019 was approved by the Minister of Infrastructure with Decision No. 3722-12/2018/6-02011413 of 24 October 2018.

- According to the Decision of the Founder Slovenia Control paid out to the Republic of Slovenia profit participation in the amount of EUR 1,300,000.00.

- The results of the Employee Satisfaction Survey, carried out by the Company in 2018 in co-operation with the Workers’ Council, were presented to employees and the Workers’ Council.

- On 10 October, Slovenia Control was informed by the Ministry of Infrastructure about the results of the application of projects submitted to the European Commission with the purpose of obtaining EU funds. Slovenia Control was successful in the European Commission’s call within the 2017 Connecting Europe Facility (CEF) SESAR Call and received 50% co-financing for 2 projects: Slovenia Wide Area Multilateration System (SLOWAM) and SWIM-PKI. However, the ADaaS2 project was rejected.

- On 17 and 18 October, Slovenia Control hosted representatives of Maastricht Upper Area Control (MUAC) from the Netherlands, and one of three technical workshops was carried out within the ADaaS2 project.

November

- The CEO of Slovenia Control attended the EASA (European Aviation Safety Agency) Annual Safety Conference 2018.



- On 9 November, the “Solutions for incorporation of RPAS in Slovenian airspace” workshop was organised at the premises of Slovenia Control. The workshop was attended by a large number of participants from the area of aviation.
- On 11 November between 10:00 and 12:00 a.m., a fire drill was carried out at the ATCC Brnik building in which not only employees of Slovenia Control but also Fire and Rescue Service Kranj participated.
- On 11 November, controllers at the Ljubljana Area Control Centre reached the number of 304,490 performed operations, which represents the scope of annual traffic of the Ljubljana Area Control Centre in 2017.
- In the period from 12 until 16 November there was a regular pre-audit of Slovenia Control’s operations of 2018.
- Slovenia Control’s representatives attended the regular November session of Eurocontrol’s Enlarged Committee for Route Charges in Brussels, where the final cost bases and unit rates for 2019 were discussed and approved in consultation with the representatives of air navigation service users.
- On 28 November, the VOLCEX17 exercise, in which all departments of Slovenia Control participated, was organised under the wing of the International Civil Aviation Organisation (ICAO). The exercise is organised each year with the purpose of training aviation personnel for the case of potential volcanic eruption which would paralyse air traffic in the European Union.

December

- At its 118th regular meeting held on 6 December 2018 the Supervisory Board of Slovenia Control appointed the Audit Committee of the Supervisory Board composed of four members. Three members of the Audit Committee are members of the Supervisory

Board, where one member is a workers’ representative, while the fourth member of the Audit Committee of the Supervisory Board is an independent expert, certified auditor.

- At the above-mentioned 118th regular meeting the Supervisory Board discussed amendments and adopted an updated clean copy of Corporate Governance Policy.
- On 12 December, there was a fire drill at the Portorož Airport simulating an aircraft accident at the runway threshold. Employees of TWR Portorož participated in the exercise.
- On 20 December, a meeting was held at the premises of Slovenia Control and was attended by representatives of the Company and representatives of the Civil Aviation Agency of the Republic of Slovenia in order to prepare for the implementation of Commission Implementation Regulation 2017/373/EU.
- Slovenia Control has successfully re-established technical adequacy of radio-navigation systems at the Cerklje ob Krki Airport, which are owned by the Slovenian Armed Forces and maintained by Slovenia Control according to the contract with the Ministry of Defence.
- On 13 December 2018, pursuant to Article 12 of the Act on the Provision of Air Navigation Services, the Minister of Infrastructure adopted decisions approving the cost bases and en-route and terminal unit rates for 2019. The en-route unit rate amounts to EUR 59.51 while the terminal unit rate is EUR 211.21.
- The AFTN system was upgraded with the option to deliver all flight plans and messages related to flight plans to special AFTN traffic client. The option mentioned enables the Company to deliver all flight plans and messages related to flight plans to the Ministry of Defence for the needs of control of the airspace of the Republic Slovenia. The solution was tested until January 2019 and was put into operational use.

2019

January

- Slovenia Control passed the external re-certification audit of the quality system according to the international standard ISO 9001:2015 and thereby extended the validity of its certificate.
- During the visit of the representative of the Performance Review Body in co-operation with the Ministry of Infrastructure and the Civil Aviation Agency of the Republic of Slovenia, a joint meeting was organised with a presentation of the Company.
- In line with Commission Regulation (EC) No 29/2009 of 16 January 2009 laying down requirements on data link services for the single European sky (OJ L 13, 17/1/2009, p. 3), last amended by Commission Implementing Regulation (EU) 2015/310 of 26 February 2015 amending Regulation (EC) No 29/2009 laying down requirements on data link services for the Single European Sky and repealing Implementing Regulation (EU) No 441/2014 (OJ L 56, 27/2/2015, p. 30) (hereinafter referred to as "Commission Regulation 29/2009/EC"), the implementation of Datalink service – CPDLC i.e. data connection of the ground-air-ground communication between air traffic controller and pilot which started to be used by air traffic controllers in the Ljubljana Area Control Centre on 16 January.
- In the "Slovenia Wide Area Multilateration System – SLOWAM" project Slovenia Control reached a significant milestone in the first phase of a project development and successfully concluded "Site Acceptance Test" (SAT) .

February

- In the framework of the SLOWAM project, Slovenia Control issued a press release which was published by the Slovenian Press

Agency and on the Sierra5 portal. With this release Slovenia Control brought professional technical progress closer to the general public, emphasised benefits from the point of greater reliability of determining the position of aircrafts in the air and stressed the solution which is environmentally completely viable.

- After one month of parallel operations of centralised SMC ATCC and Brnik SMC and Maribor SMC, on 1 February 2019 a centralised performance of technical control was set up from the centralised System Monitoring and Control SMC ATCC.

March

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



2

KEY FIGURES AND PERFORMANCE INDICATORS

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

In accordance with the International Agreement and Commission Implementing Regulation (EU) No 391/2013 and Eurocontrol's Principles for establishing the cost-base for en-route charges and the calculation of the unit rates, the total cost-base of the Republic of Slovenia is established on the basis of the costs of Slovenia Control, the Civil Aviation Agency (as the national supervisory authority) and the Environment Agency (for aviation meteorology services). The established costs related to provision of air navigation services are composed of labour costs, the costs of materials, depreciation and amortisation charges and the cost

of capital that arise in the provision of en-route air navigation services and are financed by en-route charges. The same principles are also applied with appropriate modifications in establishing the cost base for terminal charges, where the established costs of terminal air navigation services are financed by terminal charges. The unit rates (charges) are set on the basis of the expected costs, investments and traffic in the following year. Any differences between the planned and actual revenues are taken into account in the calculation of the charges over two years with consideration of the risk sharing and incentive mechanism (traffic risk sharing revenue or traffic risk sharing loss).

For 2018, an en-route unit rate of EUR 61.71 was calculated for Slovenia and a terminal unit rate of EUR 205.33 was initially set for all three international airports.




Table 1 / Analysis of the financial situation

in EUR	2018	2017	Index 2018/2017
Operating revenue	40,023,015	38,901,568	103
EBIT	4,123,166	3,983,332	104
EBITDA	8,230,113	7,924,525	104
Net profit	3,204,968	3,254,085	98
Non-current assets	26,238,509	27,975,169	94
Current assets	8,377,338	7,208,592	116
Equity	21,909,903	20,014,566	109
Non-current liabilities	2,625,000	5,055,783	52
Current liabilities	7,933,403	8,107,320	98
Indicators	2018	2017	Index 2018/2017
EBIT margin	10.30%	10.23%	101
EBITDA margin	20.56%	20.37%	101
Return on equity (ROE)	15.29%	17.48%	87
Return on assets (ROA)	9.18%	9.20%	100
Financial leverage	1.58	1.76	90
Number of employees	2018	2017	Index 2018/2017
At the end of	229	230	100

In 2018, the Company performed well and exceeded expectations. In 2018, operating revenues were generated in the amount of EUR 40,023,015; of which sales revenues totalled EUR 39,522,550. En-route charges accounted for EUR 34,958,207, terminal charges for EUR 3,555,109 and other sales revenue for EUR 1,009,234. The majority of the sales revenue was earned by en-route charges (88.45%), followed by terminal charges (9.0%). Domestic sales made up 2.55% of the total, while

foreign (mainly EU) sales represented 97.45%. Other operating revenue totalled EUR 500,465, of which EUR 186,965 from EU grants and EUR 310,939 was accounted for by other operating revenue.

In 2018, Slovenia Control settled its liabilities to both suppliers and employees, and state institutions in a timely manner and had no overdue liabilities as at 31 December 2018.



2.1 PERFORMANCE INDICATORS

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

The year 2018 was the fourth year of the second reference period from 2015 to 2019, for which EU-wide performance targets and indicators have been laid down for all four key areas of performance monitoring, i.e. capacity, cost-efficiency, safety and environment. Pursuant to Commission Implementing Regulation (EU) No 390/2013, the member states of the Functional Airspace Block Central Europe (Austria, Croatia, Hungary, Slovakia, the Czech Republic and Slovenia, except for Bosnia and Herzegovina, which is a member of the FAB CE but is not an EU member state and is therefore not bound by the plan) on 7 May 2015 signed the 2015–2019 FAB CE Performance Plan for the second reporting period and submitted it to the European Commission pursuant to

Article 13 of Commission Implementing Regulation (EU) No 390/2013.

The 2015–2019 FAB CE Performance Plan clearly sets out all the ongoing and planned activities of the member states within the FAB CE aimed at the common goal of ensuring the maximum optimisation of air navigation services, the highest possible cost-efficiency and the operation of the FAB CE in accordance with the operational requirements, regardless of state borders, which will contribute to complete compliance with Single European Sky regulations. On 15 April 2016, the European Commission adopted Implementing Decision 2016/599 concerning the consistency of certain targets included in the revised national or functional airspace block plans submitted pursuant to Regulation (EC) No 549/2004 of the European Parliament and of the Council of 10 March 2004 laying down the framework for the creation of the single European sky (the framework Regulation) (OJ L 96, 31/3/2004, p. 1), last amended by Regulation (EC) No 1070/2009 of the European Parliament and of the Council of 21 October 2009 amending Regulations (EC) No 549/2004, (EC) No 550/2004, (EC) No 551/2004 and (EC) No 552/2004 in order to improve the performance and sustainability of the European aviation system (OJ L 300, 14/11/2009, p. 34) (hereinafter referred to as “the Regulation No 549/2004/EC”) with the Union-wide performance targets for the second reference period, which also pertains to FAB CE members. The 2015–2019 FAB CE Performance Plan for the second reference period also outlines Slovenia's contribution to the achievement of the adopted EU-wide performance targets.

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



For the second reference period (RP2, 2015–2019), Commission Implementing Regulation (EU) No 390/2013 requires targets and performance indicators to be laid down for all four key performance areas, i.e. capacity, cost-efficiency, safety and environment. Accordingly, Slovenia Control defined those indicators in its 2018 Business Plan as binding performance indicators, laid down their values relative to the EU-wide performance targets for 2018, and collected and evaluated the data relevant to their monitoring.

In accordance with the national performance plan for 2015–2019 and the Company's 2018 Business Plan, the binding targets and performance indicators in the key performance areas of capacity, cost-efficiency, safety and environment are defined as follows:


- The binding performance indicator for capacity is the “average en-route air traffic flow management (ATFM) delay per flight” at the Ljubljana Area Control Centre (Ljubljana ACC).
- The binding performance indicator for cost-efficiency is the “determined unit rate for en-route air navigation services” in real terms in EUR in 2009 within the Ljubljana Flight Information Region (FIR Ljubljana).
- The binding performance indicators for safety are the effectiveness of safety management (EoSM), the application of the severity classification based on the risk analysis tool methodology (RAT), and just culture.
- The binding performance indicators for the environment in the second reference period of 2015–2019 were the “average horizontal en-route flight efficiency of the actual trajectory” and the “average horizontal en-route flight efficiency of the last filed flight plan trajectory”.

The target delay reference values for the area of capacity are determined by the Eurocontrol; in 2018, the delay reference value for Slovenia was set at 0.23 minutes per flight. The actual value of the indicator for 2018 was significantly better than the target, amounting to only 0.015 minutes per flight.

The delay targets set for Slovenia for the 2015–2019 reference period, including the 2018 target, are consistent with the EU-wide performance targets, and Slovenia's target for 2018 (0.23 minutes per flight) was significantly below the EU-wide target of 0.50 minutes per flight.

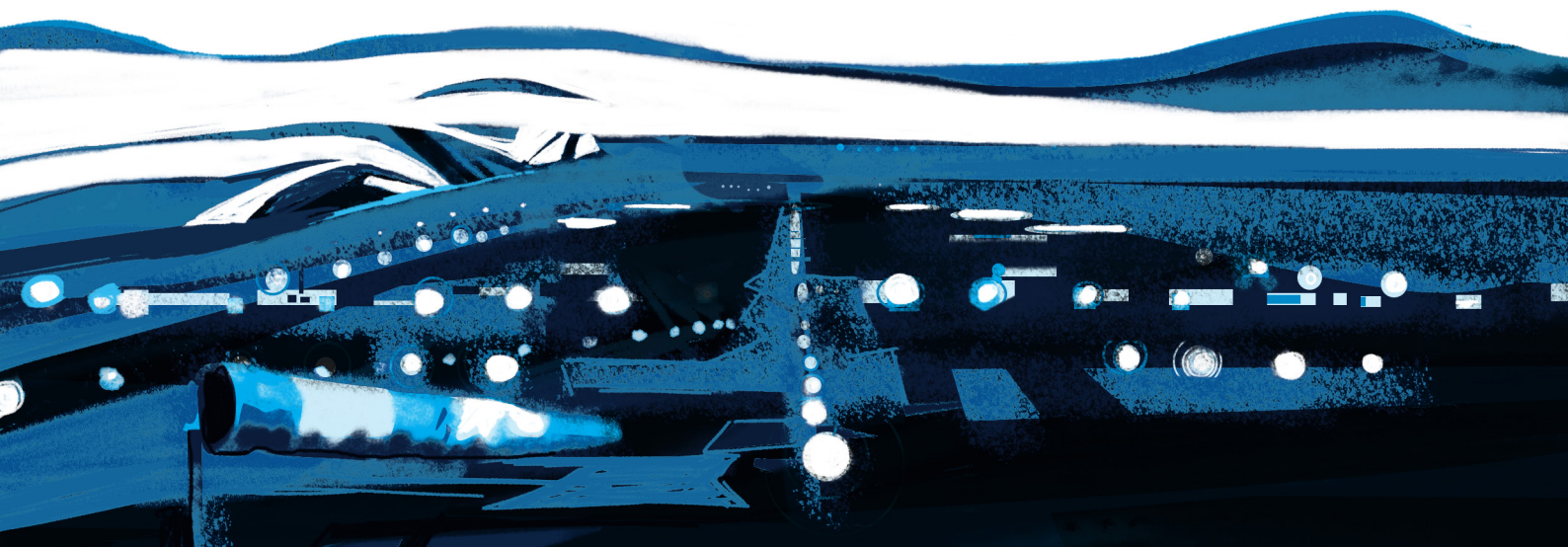
Commission Implementing Regulation No 390/2013/EU provides for a gradual reduction of the average unit rate in Europe. Within the FAB CE, the target for the Republic of Slovenia is for the average real unit rate for en-route air navigation services to be reduced by 4.2% in the second reference period (RP2, 2015–2019) compared to 2009, which translates to an actual annual reduction of 2.9% from 2009 to 2019. With the unit rate for en-route air navigation services standing at EUR 61.71 in nominal terms, taking into account the effect of the adjustment mechanism from the first reference period (RP1, 2012–2014), the Company and thus the Republic of Slovenia met the cost efficiency target in 2018. The above en-route unit rate allowed Slovenia Control to achieve a positive bottom line, concluding the financial year with a net profit of EUR 3,204,968. The European Commission adopted Commission Implementing Decision of 08/05/2018 on the compliance of unit rates for charging zones with Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013 pursuant to Article 17 of Implementing Regulation (EU) No 391/2013 (OJ L 118, 14.5.2018, p. 14), from which it derives that unit rate (charge) for en-routes in the Republic of Slovenia is in line with the said EU regulations.

The environment target is established at the functional airspace block level rather than the country level and was set at 1.85% for the FAB CE in 2018. This means that actual flight trajectories within the FAB could only exceed optimal en-route trajectories by 1.85%. For this target to be achieved, all the air navigation service providers within the FAB must ensure the shortest route availability (Free Route Airspace – FRA) on the one hand and, on the other hand, the services users must use these routes. The target was not met within the FAB CE in 2018, since the value was 1.97%.



The reason for not meeting the target is that users – airlines did not use the shortest routes and very frequent storms in summer months which resulted in longer flown trajectories.

The performance indicator values for the area of safety are set and must be met at both the national level and the FAB level and are binding on each air navigation service provider as well as each member state. Slovenia Control successfully achieved the safety targets as well, thus meeting all the objectives of the 2015–2019 FAB CE Performance Plan for 2018.





3

PROVISION OF AIR NAVIGATION SERVICES IN 2018

Slovenia Control provides air navigation services in the Republic of Slovenia in accordance with Slovenian and European legislation, European standards, the standards and recommendations of the International Civil Aviation Organisation (hereinafter referred to as "ICAO") and Eurocontrol and in accordance with the letters of agreement (LoAs) signed with air navigation service providers from neighbouring countries and the international treaties by which Slovenia is bound. As an air navigation service provider, the Company performs air traffic management and control services, provides aeronautical information required by airspace users, and installs, upgrades and maintains communication, navigation and surveillance systems for air traffic management and control on the basis of its Air Navigation Service Provider Certificate (No. 37290-17/2013/15-CAA0606 of 29/11/2013, extended by Decision No. 37290-2/2017/16-CAA0611 of 30/11/2017 until 01/12/2021), issued by the Civil Aviation Agency of the Republic of Slovenia. Based on the Flight School's Air Traffic Controller Training Organisation Certificates No. 60404-13/2017/4 of 9 June 2017 and its Training Organisation Certificates No. 60404-21/2017/9-CAA0611 of 18 December 2017, as amended by Decision No. 60404-26/2018/3-CAA0611 of 14 November 2018, issued by the Civil Aviation Agency of the Republic of Slovenia, Slovenia Control's Flight School provides professional training for operational personnel involved in the provision of air navigation services.

Slovenia Control identified the following goals in its 2018 Annual Business Plan:

1. air traffic safety;
2. adequate airspace capacity;
3. acceptance, processing and publication of aeronautical information in accordance with the requirements of Commission Regulation 73/2010/EU;
4. employee development;
5. international cooperation;
6. preservation of an influential role of the Company in FABCE, Ltd.;
7. continuous compliance with the common requirements for the provision of air navigation services and the maintenance of air navigation service provider certification and the requirements of the Single European Sky;
8. the achievement of the performance targets laid down in the 2015–2019 FAB CE Performance Plan.

In pursuing its principal activity in 2018, the Company implemented all the planned infrastructure-related activities, investments and projects in accordance with its annual and strategic goals.

3.1 AIR TRAFFIC CONTROL

Ensuring the safe, orderly and expeditious flow of air traffic is the top priority of the Air Traffic Services (hereinafter referred to as "ATS"). Slovenia Control provides en-route air traffic control in the Slovenian airspace except for the upper Mura sector, and in part of the Austrian airspace (part of the Carinthia



region); it also provides aerodrome and approach air traffic control at three Slovenian airports, namely Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport and Portorož Airport, and aerodrome air traffic control at Cerklje ob Krki Airport. In 2018, the Ljubljana Area Control Centre (hereinafter referred to as "ACC") provided services in part of the Italian airspace (the KANIN area). For operational reasons, air navigation services in part of the Mura sector are provided by Austro Control in place of Slovenia Control, and the Company, in turn, provides air navigation services in the Austrian region of Carinthia.

The key activities implemented and developments recorded by ATS in 2018 were as follows:

Capacity

- Adequate staffing ensured the sufficient openness of sectors to traffic, which grew by 8.8% on an annual level in the Dolsko sector. Regulation was required on 26 occasions in 2018, resulting in combined delays of 5,000 minutes. Resulting delays were 0.015 min/flight, which represents one of the shortest delays in the entire European airspace.

Procedures

- Operative documents, such as instructions and agreements (between ATS and neighbouring – foreign air traffic services), were promptly updated.
- Representatives of the ATS department were actively involved in the project of expanding cross-border free route airspace by merging the SAXFRA Free Route Airspace (Slovenian Austrian Cross-border Free Route Airspace) and the SEAFRA Free Route Airspace (South-East Axis Free Route Airspace – the project of three ANSPs from Bosnia and Herzegovina, Croatia, Serbia and Montenegro), the merged free route airspace was successfully implemented in South-Eastern Europe – South East Common Sky Initiative Free Route Airspace - SECSI FRA.

- With the aim of understanding air traffic flow through the Slovenian territory, monthly analyses were carried out of economic indicators and the political situation in countries to which most air carriers flew through Slovenia. We monitored in particular the volume of traffic at main airport city pairs, e.g. Paris – Istanbul, Munich – Athens, etc.) as well as the tourist operators' data on the occupancy rate of holiday capacities in the vicinity of the Mediterranean and the Red Sea.
- Cross-border prompt co-ordination and co-operation in analysis of the 2018 season with emphasis on circumstances related to stormy weather and resulting deviations of main traffic flows in the region.
- Preparations for implementation of optimisation of procedures and volumes of the controlled airspace of the Republic of Slovenia under the flight level (FL) 245.
- In order to provide more reliable flight data, activities related to relocating and adding control sensors (new location – radar Vrhnika and preparations on implementation of multilateralisation – WAM).
- Activities for implementation of instrumental procedures and terminal zone TMA Cerklje ob Krki continued.

Technical improvements

- In 2018, software was upgraded to enable safe and reliable air traffic management in free route airspace (FRA).
- The Aircraft Flight Data Processing System (FDPS) was upgraded to enable the system to send additional OLDI messages and reduce the need for verbal communication. These upgrades helped to achieve the interoperability goal in line with the European directives.
- We published a public procurement for the extension of a Tower Simulator to a radar part and installation was performed in January 2019. It is expected that the radar simulator will be fully functional in the second half of 2019.



- Improvements and upgrades of data handling systems were introduced according to the LSSIP (Local Single Sky Implementation Plan).

The department regularly updated work documentation.

A detailed analysis of the air traffic data for 2018 is presented in section 4 – Air Traffic Data.

3.2 COMMUNICATIONS, NAVIGATION AND SURVEILLANCE

The main activities of the Communications, Navigation and Surveillance/Air Traffic Management Systems Department (hereinafter referred to as “CNS/ATM”) are 24/7 technical control over the functional ATM and operational systems of the Company as well as preventive, corrective and evolutionary maintenance of these functional ATM and operational systems. Evolutionary maintenance is not limited to existing systems alone, but rather also covers their development and the development of own new systems or specific system functionalities and, last but not least, the design, installation and commissioning of new systems in operational use. The year 2018 was marked by the very intense action of the CNS/ATM in every (sub)domain of the department’s activity (the details are described in the chapter on investments).

So as to ensure that the department was able to carry out its activities, in 2018 its operational personnel undertook training for new authorisations awarded under the licences for flight control technicians and refresher training to uphold the competences of operational personnel, whereas the authorisations under the licences for flight control technicians were extended as appropriate with the support of the Flight School.

The department conducted the activity on a regular basis and in accordance with the monthly maintenance plans, while in the case of major maintenance, this was done at specific times coordinated at the level of the FAB CE Functional Airspace Block. In accordance with ICAO recommendations, flight calibrations of all radionavigation devices and, for the needs of

other customers, calibrations of light sources were carried out on a regular basis. The operational personnel of the department are productively and actively participating in a number of international bodies in the field of communication, navigation and surveillance, and data processing (CNS) as technical and technological activities in the provision of air navigation services with the aim of keeping the pace with technological development and also contributing to future technological development. In the context of the latter, the international integration in the field of cybersecurity should be highlighted. In 2018, the department’s project management office, where project management functions are combined in support of the CNS/ATM activities, continued the project of implementing the software tool for CNS/ATM asset management together with the IT Department. In 2019, the database of this tool enabled the simplification of administrative procedures in the department.

From the point of implementation of the basic mission, 2018 was marked by implementation of the planned multilateration system in upper airspace of the entire Slovenia. It is a system which represents an additional source of detection of adequately equipped and responsive aircrafts in airspace which independently supplements the established control chain composed of secondary (Mode S) radars. It is exactly the technological independence of multilateration system from secondary radars which increases the robustness of the radar picture of air traffic in the area of the Company’s competence, which is in the domain of ATS for the needs of the air traffic management and control process.

Not only did the CNS/ATM mark and reach important milestones in 2018 in terms of a series of investment projects (described in more detail in the chapter on investments), but also successfully developed its own products in support of the air traffic management and control process. First of all, this is about the development of operational system prototypes that will give the Company a competitive edge in the future and an opportunity to engage in an additional market-oriented activity by providing operational services for other air navigation service providers. It has to be added



that future potential of competitive advantage and mainly of the potential start of exploiting new market opportunities is conditioned by certification in accordance with the requirements for Air Traffic Management Data Service Provider, which are still in the process of determining by the European Aviation Safety Agency (EASA). A series of new functionalities of automated systems has been developed and implemented in support of the air traffic management and control process for the needs of the ATS, including the development of the meteorological information system for air traffic control – TWR QAM, which displays data transmitted from the meteorological (METEO) service of the Slovenian Environment Agency in individual airport control towers at the positions of air traffic controllers.

In January 2019, the CNS/ATM, in accordance with the contract concluded between Slovenia Control and the Ministry of Defence of the Republic of Slovenia, concluded civil certification of all radio-navigation devices at the Cerklje ob Krki Military Airport.

No major system failures (degradations) occurred in 2018 within the CNS/ATM remit that would affect air traffic safety or airspace capacity.

On 1 January 2019, centralised implementation of technical control started from centralised System Monitoring and Control at SMC ATCC. At the same time for the period of one month, until 31 January 2019, a parallel operating of centralised SMC ATCC Brnik SMC and Maribor SMC was carried out. From 1 February 2019, technical control over functional ATM and operative systems of air navigation service provider is carried out from the centralised SMC ATCC. The purpose and goal of centralisation of performance of technical control from one location at the centralised System Monitoring and Control SMC ATCC is to increase the volume of working time of operational personnel in all departments of CNS/ATM, which could be available for implementation of preventive and evolutionary maintenance. The method of reaching the described goal is based on reduction of the number of working hours which would otherwise be necessary for operating of decentralised SMCs upon a simultaneous increase of the number of

supervisors performing control in the centralised SMC. Consequently, the number of average annual working hours performed by the operational employee at CNS/ATM executing tasks of SMC is decreased. On the account of the latter, the annual volume of working time of operational employees at all departments of CNS/ATM which is available for performance of preventive and evolutionary maintenance is increased. In 2019, the annual volume of working time of operational employees at all departments of CNS/ATM available for performance of preventive and evolutionary maintenance will be gradually increased in proportion to concluded operational training and activation of new operational employees at CNS/ATM in the function of supervisors in centralised SMC ATCC.

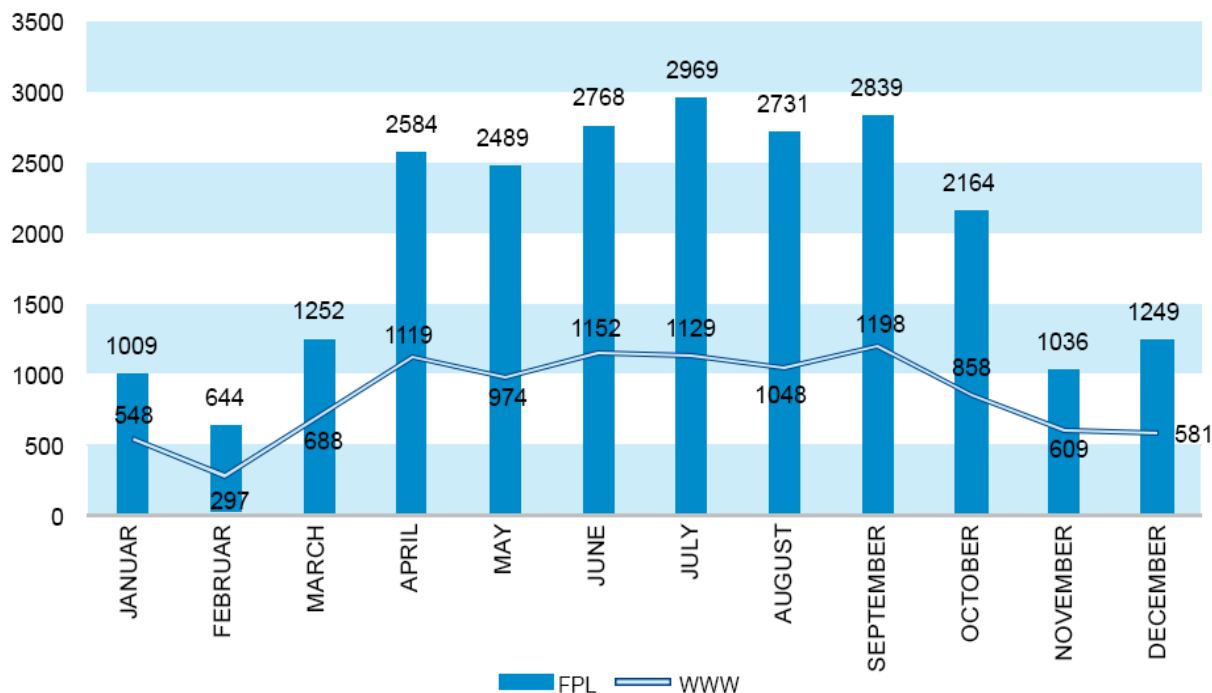
3.3 AERONAUTICAL INFORMATION SERVICES

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

In 2018, the Aeronautical Reporting Office (ARO) processed 23,734 flight plans (FPL). In comparison with 2017 this means an increase of 4.04%. The share of FPLs submitted via the eARO online portal amounted to 43% of all processed flight plans.



Chart 3 / Flight plans (FPLs) processed in 2018




The number of PIBs was stable throughout 2018, with slight fluctuations in the winter season. In comparison to 2017, a 4.7% growth was seen in the number of issued PIBs, which is the result of the increased number of seasonal charter flights and flight schedule changes.

Due to efficient deployment of employees within the ARO centralised office, the workload was evenly distributed among all ARO staff. The call centre recorded 9,439 calls in 2018. The response rate was 96.81%. There are nearly 1,100 registered eARO users at present. A total of 30,412 operations involving eARO service use were recorded, which is 12% more than in 2017. An upward trend is noted in the overall use of the tool in the context of the eARO service, mainly in the segment of flight preparation (elaboration of PIB), while in the segment of filing flight plans and the related messages growth is under expectations.

The WebADP application continued to be used in the NOTAM issuance procedure at the Information and Communication Centre (NOTAM/COM). In February, Slovenia Control started to use the application in its own hardware which contributed to faster performance. In April, Maribor Airport started to file requests for the issue of NOTAM messages directly through WebADP application and thus joined the Ministry of Defence and Portorož Airport, and thus contributed to improvement of quality of requests for NOTAM messages as the application enables prompt recording of all steps in the process of issuing NOTAM messages. A total of 4,036 NOTAMs were issued and 4,380 PIBs prepared in 2018.

After the successful upgrade of the AFTN system for the exchange of aeronautical messages, mainly NOTAMs, flight plans, messages relating to flight plans and other aeronautical messages, into an



AMHS system in 2017, the AMHS system operated without major changes. In December 2018, the AFTN system was upgraded with the option to deliver all flight plans and messages related to flight plans to a special AFTN traffic client, which was set up by CNS/ATM. The option enables the Company to deliver all flight plans and messages related to flight plans to the Ministry of Defence for the needs of control of the airspace of the Republic Slovenia. The solution was tested until January 2019 and was put into operational use.

International connections to AMHS centres in Vienna, Rome and in Haren and Bretigny were functioning without interruptions. In the AIRAC cycle regular checks of Contingency procedures with Haren and Bretigny were performed. All checks were carried out without any problems noticed. International connection of AFTN to the Vienna centre, which serves as a redundant possibility of announcement and distribution of up-to-date aeronautical information, was not used in 2018.

Internal traffic of aeronautical messages can be implemented through the AFTN system. In this system there were no failures or problems in 2018.

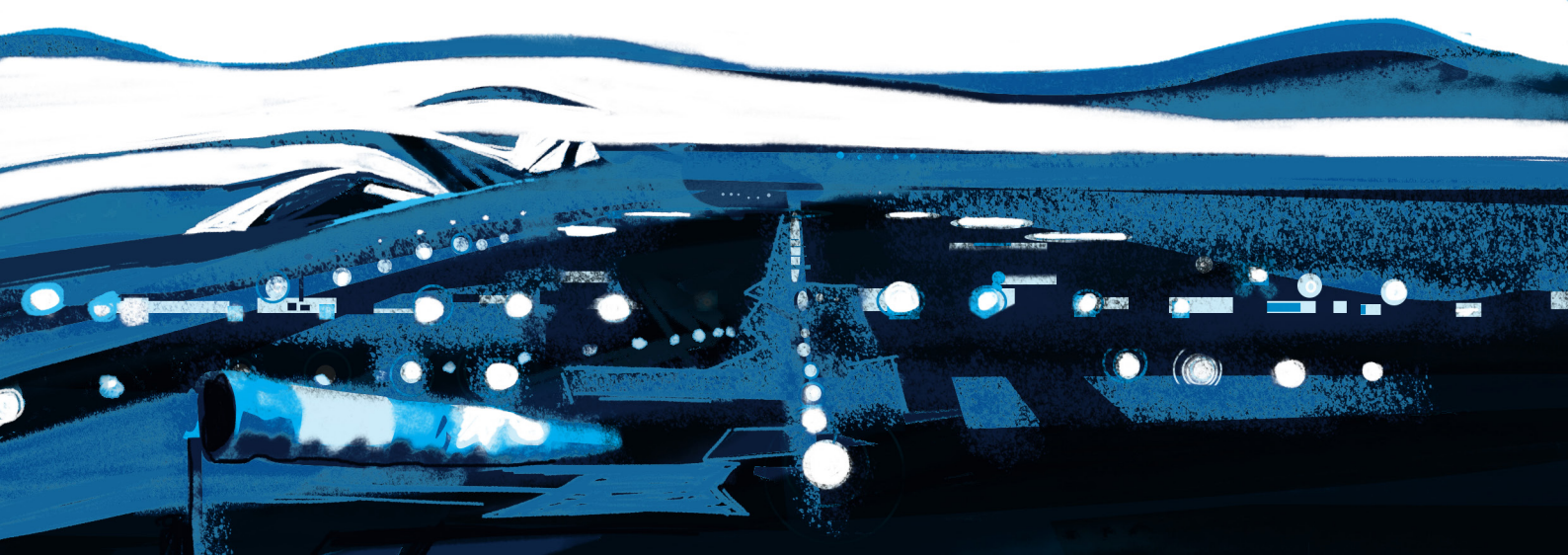
At the Flight Publications Service (AIP) activities of direct exchange of data between Slovenia Control and Eurocontrol's database EAD SDD (EAD Static and Dynamic Data) continued as required by Commission Regulation (EU) No 73/2010 of 26 January 2010 laying down requirements on the quality of aeronautical data and aeronautical information for the single European

sky (OJ L 23, 27/1/2010, p. 6; as amended by Commission Implementation Regulation No 1029/2014 of 26 September 2014 amending Regulation (EU) No 73/2010 laying down requirements on the quality of aeronautical data and aeronautical information for the single European sky (OJ L 284, 30/9/2014, p. 9) hereinafter referred to as "Commission Regulation (EU) No 73/2010"), was placed into operational use at the Flight Publications Service (AIP). "Commission Regulation (EC) No 73/2010"). AIP processes, procedures and work instructions and user manuals demonstrating compliance with the regulation were upgraded.

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

A 1:250,000 VFR map of Slovenia was developed. The majority of the department's time and resources went towards the declaration of SECSI FRA project (the Cross-Border Free Route Airspace) and its amendments. Data publication and storage activities had to be regularly coordinated with the AIS units of neighbouring air navigation service providers as well as with Eurocontrol.

Also in 2018, the AIP closely cooperated in drafting of the national policy on terrain and obstacle data capture (eTOD) and the future exchange and entry of data in the AIXM database.



3.4 HUMAN RESOURCES

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

As at 31 December 2018, the Company employed 229 people. The number of employees decreased by 1 compared to 2017.

Employment relationships concluded in 2018:

- at the Flight School one employee was hired in the position of expert officer;

Employment relationship terminated in 2018:

- in February due to retirement one post of a controller at the Ljubljana Area Control Centre was terminated;
- at the end of October due to the death of a controller at the Cerklje ob Krki Air Traffic Control one post was terminated;

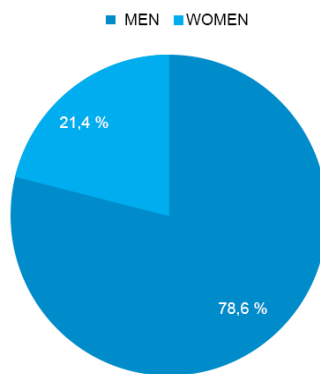
Table 2 / Staff structure as at 31/12/2018

Employee structure	
Air traffic control posts requiring a licence – licensed staff	
• Air traffic services posts – air traffic controllers	106
• Air traffic services posts – operators (FDT+FIS)	18
• Communications, navigation and surveillance posts	36
• Aeronautical information services posts	24
Total licensed staff	184
Non-licensed staff	45
Total employees	229

Employees structure by gender

In 2018, Slovenia Control employed 21.4% women (49 women, which is 1 more than in 2017, when 20.9% of employees were women) and 78.6% or 180 men, which is slightly less than in 2017, when the share of men in the structure of employees was 79.1% (182 men or 8 more than in 2016).

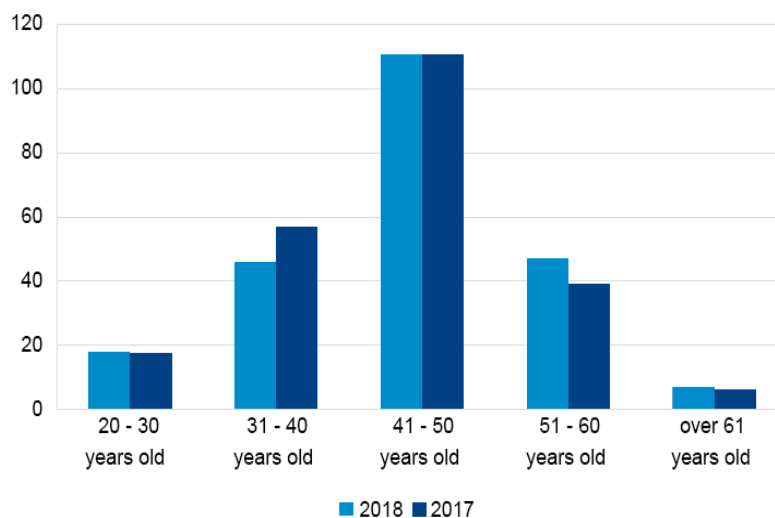
Chart 4 / Employee gender structure as at 31/12/2018



Employee age structure

The average age of employees in 2018 did not significantly change as compared to 2017 and amounted to 45 years. Almost half of all employees (48.5% or 111 employees) are aged between 41 and 50. Employees under 40 represent 27.9% (64 employees) and those over 51 account for 23.6% (54 employees).

Chart 5 / Employee age structure

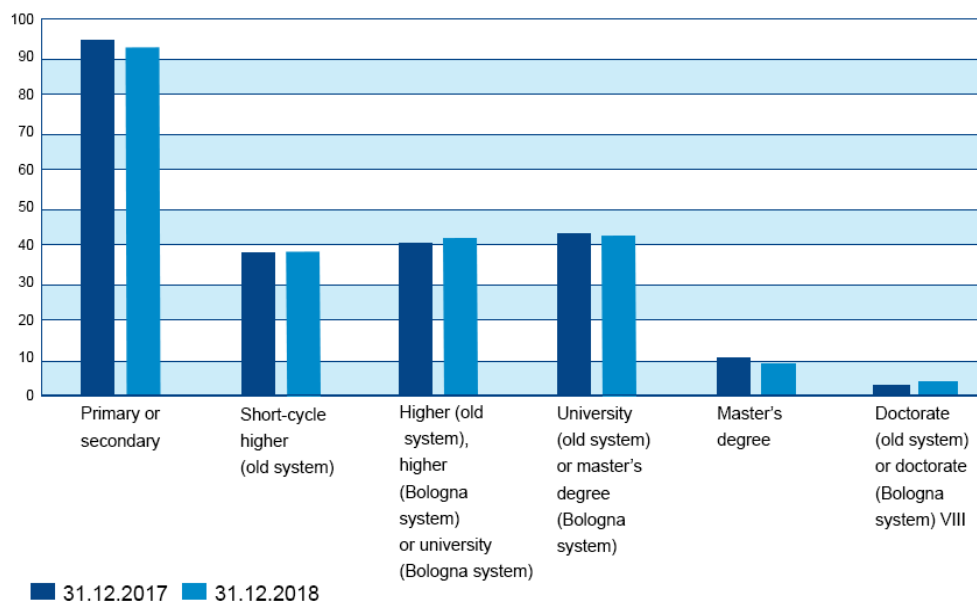


Employee structure by education

Table 3 / Educational structure

Education/Number as at	Level	31/12/2017	31/12/2018
Primary or secondary		95	93
Short-cycle higher (old system)	VI/1	38	38
Higher (old system), higher (Bologna system) or university (Bologna system)	VI/2	41	42
University (old system) or master's degree (Bologna system)	VII	43	43
Master's degree	VIII/1	10	9
Doctorate (old system) or doctorate (Bologna system)	VIII/2	3	4
Total		230	229

Chart 6 / Educational structure





3.4.1 Employee development

Slovenia Control's staff is one of the most important resources for the successful pursuit of the Company's principal activity of air traffic management and control. Due to their know-how, skills, creativity, work experience and motivation high-quality personnel is the most important asset of the Company, therefore HR policies are directed into constant acquisition and maintenance of adequate competences with continuous education and training of employees. In 2018, the Company achieved the following planned HR development goals:

Strengthening of organisational culture

Organisational culture as a shared system of values, beliefs and practices in an organisation connects employees with each other and is an important factor in the success of the company, which needs to be constantly developed and upgraded. Slovenia Control strives to strengthen job motivation and organisational loyalty of employees. The category is an important factor of incentive and commitment of employees to exploit their know-how and experience in their work to the highest possible extent. In this sense Slovenia Control encourages mutual cooperation in order to achieve better results and strengthen awareness of employees that they participate in creating results and promote the feeling of responsibility with individuals and the team. In 2018 the Company, in cooperation with the Workers' Council, carried out the planned employee satisfaction survey. The results of the survey show satisfaction of employees and did not worsen in comparison with previous measurements. Based on these results Slovenia Control will plan and guide activities and measures for improvements.

Training of operational personnel

Slovenia Control provided all the required training for operational personnel to obtain and retain their work licences. In addition, it started

training eight candidates for air traffic controllers in 2018 (see section 3.4.2 for more details).

Communication with employees

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

Training and upgrading knowledge in specific work areas of employees

The Company consistently meets the commitments adopted in the Employee Education Development Strategy, which defines investment in employee education and training as a strategic goal. To this end, the Company prepares an employee training plan every year, outlining the planned education and training of operational personnel and specialised education of non-operational personnel. As part of this measure, the Company again made sure in 2018 that employees attended seminars, workshops and training courses in their specific area of work, which it considered important for the development of the profession, familiarisation with legislative amendments and introducing novelties in a particular field of work.



Care for employee health and safety at work

In 2018, the Company provided regular periodic targeted medical examinations for employees, as set out in the health section of the workplace risk assessment as part of the Company's preventive health measures. Several surprise checks were carried out to prevent, identify and sanction alcohol and psychoactive substance abuse. In 2018, unannounced checks of intoxication of employees in the workplace were carried out by the Civil Aviation Agency of the Republic of Slovenia. Employees received flu and tick-borne encephalitis vaccinations.

Workshops intended for presentation and analysis of results of the employee satisfaction surveys were organised by the Company for all employees and heads, within which themes related to prevention of mobbing, the strengthening of organisational climate, mutual relations and communication were also highlighted. This measure is aimed at reducing absence due to sick leave and increasing satisfaction and improving the general well-being of employees, which is reflected in more efficient task performance.

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

3.4.2 Training of operational personnel

The provision of air navigation services at any level of demand in the airspace requires highly qualified operational personnel in air traffic control, communications, navigation and surveillance and aeronautical information services. The competencies required by operational personnel are highly specific, and thus only comparable to other positions in rare and generalised cases,

and highly specialised, which is all the more significant considering the constant technological development in the field of air navigation services. Slovenia Control's Flight School therefore ensures that the Company's operational personnel acquire and maintain the specific qualifications and competencies required for the provision of air navigation services. The high level of competence required of operational personnel involved in the provision of air navigation services is so unique that it is not directly available in the national labour market. This means that the air navigation service provider needs to adequately train its operational personnel and, once they reach operational status, demonstrably maintain their competence at the required level.

In 2018, the Flight School carried out two basic continuous activities:

- training of operational personnel; and
- updating its operational personnel training system.

In 2018, the Flight School provided the following training and carried out the following activities for all three operational departments (ATS, CNS/ATM and AIS):

- basic air traffic controller training;
- training to obtain the Approach Control Surveillance (APS) rating;
- training to obtain the Aerodrome Control Instrument (ADI) rating;
- training to obtain the Approach Control Procedural (APP) rating;
- training to obtain FIS certificate;
- training to obtain unit endorsement (LJLA) for Area Control Surveillance (ACS) rating – on-the-job training – BHANSA candidates;
- training to obtain unit endorsement (LJLA) for the Approach Control Surveillance (APS) rating;
- training to obtain unit endorsement (LJMB) for the Aerodrome Control Instrument (ADI) rating and a Tower Control (TWR) rating endorsement as well as Approach Control Procedural (APP) rating – integrated on-the-job training;



- training to obtain unit endorsement (LJPZ) for the Aerodrome Control Instrument (ADI) rating and a Tower Control (TWR) rating endorsement as well as Approach Control Procedural (APP) rating – integrated on-the-job training;
 - on-the-job training to obtain a unit endorsement (LJCE) for the Area Control Visual (ADV) rating;
 - theoretical and practical training to obtain endorsement for the air traffic assistant controller for air notices – NOTAM operator;
 - training for AIS personnel to obtain the NOTAM operator rating on their air traffic assistant controller licence;
 - advanced training in all operational units of the ATS with the aim of maintaining the competence of air traffic controllers, including training to keep them qualified air traffic controllers and able to handle emergencies, the maintenance of competence being the basic requirement for the renewal of air traffic controller licences;
 - with the aim of maintaining the ability to teach and maintaining and meeting the conditions to extend the validity of the OJTI rating of the instructor in the air traffic controller licence, two refresher training courses in the area of practical training for OJTI and STDI were carried out for air traffic controllers with the OJTI rating;
 - with the aim of maintaining the ability to assess and maintaining and meeting the conditions to extend the validity of the ASSESSOR rating in the air traffic controller licence, two refresher training courses in the area of assessing were carried out for air traffic controllers with the ASSESSOR rating;
 - seven holders of a work permit as technical staff in flight control (ATSEP) were qualified for obtaining standard MAGS rating for maintenance of WAM multilateral system (the project is also described in the sectors Communications, Navigation and Surveillance, and Investments);
 - refresher training was performed for holders of standard rating VCS 3020X Rel.7.0 in work permit for flight control technicians (ATSEP); two operational employees at the Communications Office were qualified for obtaining standard rating VCS 3020X Rel.7.0;
 - refresher training was performed for holders of standard rating VCS 3020X Rel.4.1 in work permit for flight control technicians (ATSEP); two operational employees at the Communications Office were qualified for obtaining standard rating VCS 3020X Rel.4.1;
 - refresher training was performed for holders of the certificate for work in TNC LJ NOVI to train the staff for work in the centralised System Monitoring and Control;
 - refresher training of technical staff to work in the System Monitoring and Control, which is a condition for permanent validity of the certificate of qualification to perform control in the SMC;
 - theoretical part of qualification training for work in the SMC;
 - training of technical staff of the Company for the radar data distribution system;
 - on-the-job training in the SMC;
 - further language training in general and aviation English to maintain and improve air traffic controllers' language proficiency;
 - Training on the process for demonstrating compliance with the requirements for air navigation service providers began for the staff of the Ministry of Defence, the Slovenian Armed Forces.
- The Flight School also organised and coordinated training abroad for the personnel of all three operational departments and the CEO's Staff at Institute of Air Navigation Services (IANS) functioning within Eurocontrol and Entry Point North.
- In 2018, the Flight School, as a training organisation, continued conducting all the necessary and required air traffic controller training according to the certificate awarded on the basis of the Decision on air traffic controller licences, Commission Regulation (EU) 340/2015 of 20 February 2015 laying down technical requirements and administrative



procedures relating to air traffic controllers' licences and certificates pursuant to Regulation (EC) No 216/2008 of the European Parliament and of the Council, amending Commission Implementing Regulation (EU) No 923/2012 and repealing Commission Regulation (EU) No 805/2011 (OJ L No 63, 06/03/2015, p. 1) (hereinafter also referred to as Commission Regulation 2015/340/EU). To enable the continuous provision of training for operational personnel, the Flight School carried out activities to update its training system, based on which a renewal was granted of the Flight School's work authorisation, which is the fundamental formal basis for the performance of all the required and necessary training for other technical air navigation service personnel, i.e. operational personnel in CNS/ATM and AIS.

As part of the update of the training system, the documentation governing the air traffic controller training process and procedure was updated for the purpose of harmonisation with Commission Regulation (EU) No 340/2015 on the licensing of air traffic controllers. The Company also continued its activities for the development of an air traffic safety electronics personnel training system built around entirely new procedures established on the basis of Slovenia Control's long-standing good practice.

3.5 AIR TRAFFIC SAFETY

Air traffic safety is essential in air traffic management and control and is a common thread in all of Slovenia Control's business processes. The Company's safety management system meets the requirements of Commission Implementing Regulation (EU) No 1035/2011 in connection with the implementation of the Single European Sky programme, and the requirements of the corresponding Slovenian regulations. On that basis, the Company has been declared a certified provider of air navigation services for the area of air traffic safety. The Company's air traffic safety management system is achieving the target level of maturity for air navigation service providers, which is checked through the continuous monitoring of the key indicators by the European Aviation Safety Agency (EASA).

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

The number of reports of safety occurrences at the Company has stabilised in the period 2011–2018, indicating the effectiveness of the promotion of a reporting culture

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

According to the definition laid down in Regulation (EU) 376/2014 of the European Parliament and of the Council of 3 April 2014 on the reporting, analysis and follow-up of occurrences in civil aviation, amending Regulation (EU) 996/2010 of the European Parliament and of the Council and Repealing Directive 2003/42/EC of the European Parliament and of the Council and Commission Regulations (EC) 1321/2007 and (EC) 1330/2007 (OJ L 122, 24/4/2014, p. 18), as amended by Regulation (EU) 2018/1139 of the European Parliament and of the Council of 4 July 2018 on common rules in the field of civil aviation and establishing a European Union Aviation Safety Agency, and amending Regulations (EC) No 2111/2005, (EC) No 1008/2008, (EU) No 996/2010, (EU) No 376/2014 and Directives 2014/30/EU and 2014/53/EU of the European Parliament and of the Council, and repealing Regulations (EC) No 552/2004 and (EC) No 216/2008 of the European Parliament and of the Council and Council Regulation (EEC) No 3922/91 (OJ L 212, 22/8/2018, p. 1) (hereinafter referred to as "Commission Regulation (EU) 376/2014"), a just culture is a culture where operational personnel and



other employees responsible for air traffic safety (primarily the air navigation service personnel – air traffic controllers, technical staff, engineers, pilots, airport technical personnel, etc.) are not punished for actions, omissions or decisions taken by them that are commensurate with their experience and training, but in which gross negligence, wilful violations and destructive acts are not tolerated.

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

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


The permanent activities in the area of safety in 2018 were implemented as cooperation with:

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

To ensure the efficiency of the processes of the safety management system and a high level of individual and organisational safety culture, the business plan for 2018 laid down the following three operational safety objectives as part of the air traffic safety target:

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

The implementation of activities for the achievement of the operational safety objectives of safety assurance, safety achievement and safety promotion is reflected in the fact that Slovenia Control's safety management system fully meets the requirements of Commission Implementing Regulation (EU) No.1035/2011, Single European Sky legislation and national regulations.



Based on the annual measurement and continuous monitoring of the key safety indicators by EASA, the Company's safety management system also once again met the effectiveness of safety management (EoSM) target for air navigation service providers in 2016.

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

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

the Company's functional air traffic management system;

- participation in and coordination of activities for safety assessments for the planned changes to the Company's functional air traffic management system.

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

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

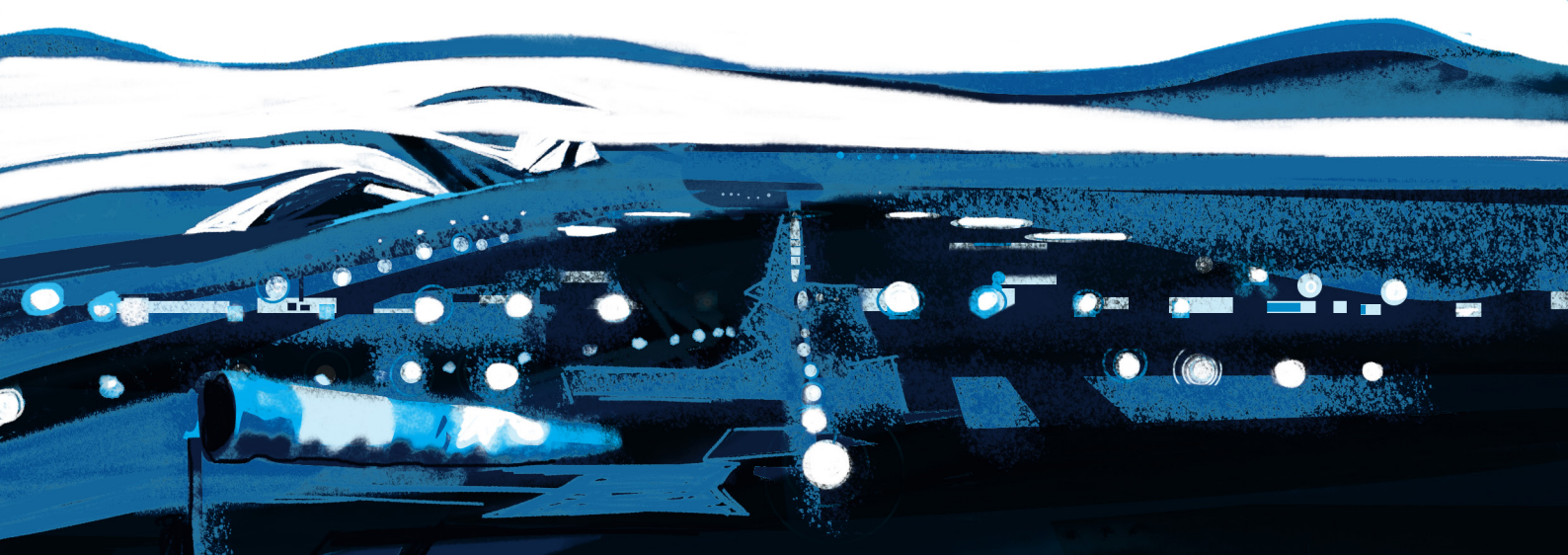




Table 4 / Number of reports filed by organisational unit of the Company in 2018

Organisational unit	Number of occurrences
CNS/ATM	27
AIS	5
LJUBLJANA ACC	101
TWR BRNIK	54
TWR MARIBOR	35
TWR PORTOROŽ	12
TWR CERKLJE OB KRKI	8
TOTAL	242

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

Chart 7 / Number of reports filed in 2018 by organisational unit

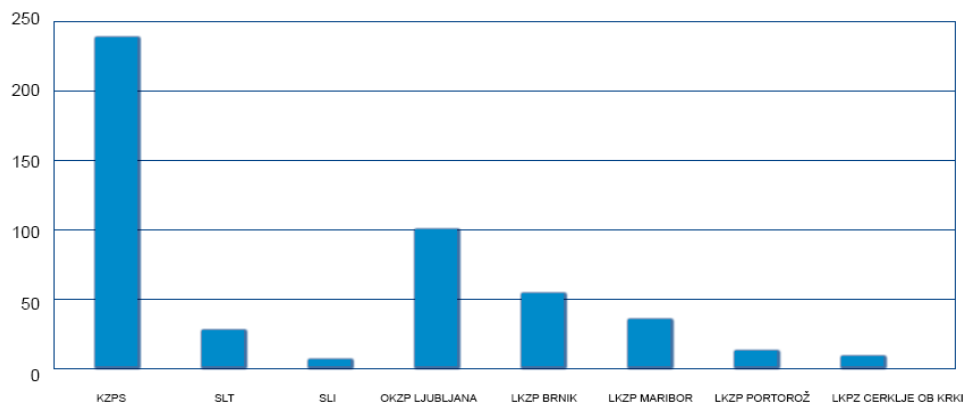




Table 5 / Number of reports filed by trend in 2018

Slovenia Control trends	Number
AIUP: Airspace infringement - 376A10b	26
ADAC: Aircraft deviation from ATC clearance	22
RI: Runway infringement – 376A10b	2
SMI: Separation minimal infringement – 376A2	3
FCOM: Failure of COM function – 376B3	10
FSUR: Failure of SUR function – 376B4	0
FNAV: Failure of NAV function – 376B6	7
BS: Bird strike – 376A5b	24
LI: Laser illumination – 376C3d	9

Chart 8 / Number of reports filed by trend in 2018

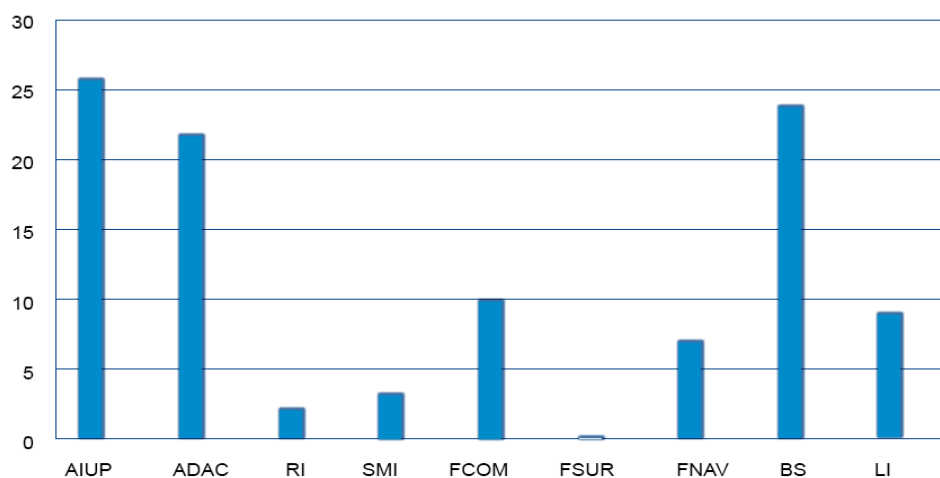


Table 6 / Statistics of reports for the period 2010–2018

Organisational unit	2018	2017	2016	2015	2014	2013	2012	2011	2010
ATS	210	148	194	246	179	225	229	180	184
CNS/ATM	27	18	37	30	51	39	37	28	9
AIS	5	3	10	7	9	11	7	17	6
LJUBLJANA ACC	102	55	83	78	60	82	87	74	60
TWR BRNIK	53	40	39	73	55	70	53	47	64
TWR MARIBOR	35	29	29	55	26	33	44	30	31
TWR PORTOROŽ	12	19	28	32	27	28	19	24	15
TWR CERKLJE OB KRKI	8	5	15	8	11	12	26	5	14
TOTAL	242	169	241	283	239	275	273	225	199

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

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

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

In 2018, Slovenia Control continuously met and demonstrated its compliance with the requirements for the provision of air navigation services under the European regulatory framework of the Single European Sky, particularly with Commission Implementing Regulation (EU) 1035/2011 which defines these common European requirements for air navigation service providers, as well as other equivalent or subordinated binding international and national regulations.

Regardless of a four-year period of validity of air navigation service provider certification, the holder of which until 1 December 2021 is Slovenia Control, the Civil Aviation Agency of the Republic of Slovenia (CAA) in 2018 carried out frequent assessments of compliance with requirements concerning the entire air navigation service provision system. But despite the intensity these external assessments did not equally increase the workload of the Company's processes; this indicates the success of the past development and the degree of achievement in the processes running simultaneously in the CAA supervisory authority and the Company which is bound to comply with these requirements.

Due to new and wider and more specific requirements for air navigation service providers with Commission Implementing Regulation No 373/2017/EU adopted in 2017, the year 2018 was marked by harmonised adjustment of the Company and the national supervisory authority CAA to a new regulatory requirement package, and a marked increase in the intensity of this adjustment can be expected in 2019, as the new regulatory framework starts being applied on 2 January 2020.

3.7 QUALITY

In January 2019, the Bureau Veritas Certification accreditation firm conducted the re-certification audit under ISO 9001:2015 and renewed the Company's quality management system certificate (SL22019Q, 18/1/2022).

The re-certification audit covered the areas of company management, air traffic services (ATS), aeronautical information services (AIS), communications, navigation and surveillance services (CNS/ATM) and air traffic control personnel training. The re-certification audit was conducted at Slovenia Control's premises at Ljubljana Jože Pučnik Airport, Portorož Airport, Maribor Edvard Rusjan Airport and Cerklje ob Krki Airport. The successful surveillance audit was the result of the efforts of all of the Company's employees and demonstrates their progress, diligence and awareness of the importance of process improvements. The findings of the external audit provided impulses and recommendations for improvements in all areas of the Company.

In accordance with the internal audit plan, comprehensive internal audits were conducted from March until May 2018 by qualified internal auditors. The internal audit covered all of the Company's processes. The internal audit allowed us to identify the necessary corrective and preventive measures to be taken for individual processes, based on which the rules of procedure for the relevant processes were updated according to the actual situation.

Preventive and corrective measures are being implemented for the quality management system. The risk management system has been established to regularly verify and update the identified risks. The Safety section conducts a safety analysis of each operational occurrence. Weekly meetings are held at the management level to monitor the Company's ongoing activities and any changes relevant to the Company's operation.



3.8 SECURITY

In 2018, Slovenia Control implemented measures and procedures for the protection of civil aviation from acts of unlawful interference and general security to provide an appropriate environment for the smooth functioning of business processes.

In accordance with the annual plan of civil aviation security system quality control and the Aviation Security Programme of the Republic of Slovenia, the Company carried out internal audits of the security system throughout the whole year. A total of 14 audits were carried out across the areas of physical and technical security and security culture to ensure efficiency and effectiveness in the implementation of security-related activities and reduce any deviations from the established standards, practice and procedures. The audits did not establish any major deviations from the required standards, which was also confirmed by the two inspection reviews performed by the Civil Aviation Agency of the Republic of Slovenia.

In May, Slovenia Control participated in a cyber exercise of strategic deciding (EDA CCSDM), which was carried out in the framework of the European Defence Agency (EDA) project. The purpose of the exercise was to increase the awareness of the importance of cyber security at the level of strategic decision-making, to contribute to improving the culture of cyber security and to verify the national model of ensuring cyber security through a response to an imaginary cyber incident. In June, it participated in the European cyber exercise in the field of civil aviation organised by the EU Agency for Network and Information Security, and the coordinator in Slovenia was the Government Office for the Protection of Classified Information. Both exercises were also used to review our own procedures and to plan further work in the field of cyber security.

In the area of critical infrastructure, we started individual activities related to the requirements arising from the Critical Infrastructure Act (Official

Gazette of the RS, No. 75/17) and the requirements arising from the Information Security Act (Official Gazette of the Republic of Slovenia, No. 30/18). A draft document is prepared in connection with the requirements of ISO 27000 standard (Information Security) and ISO 28000 (Supply Chain Security). In line with the obtained safety risk assessment, a revision of the Security Plan was carried out in accordance with the Private Security Act. An inspection audit was also carried out by the Internal Affairs Inspectorate of the Republic of Slovenia, which did not find any deviations in this field.

Slovenia Control co-operated throughout the year with the Cyber Security Group within FAB CE and the largest emphasis in 2018 was on preparing the analysis for the establishment of the so-called Security Operations Center (SOC) and some other topics related to the provision of cyber security.

In the area of defence planning, individual procedures related to the Company's defence plan were supplemented. In the context of work duty, the records and schedules of employees were updated and modified to reflect the actual situation and execution of duties in the area of defence planning. Slovenia Control was informed by the Ministry of Defence about further work and expectations for companies in the field of defence.

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

In the area of fire safety a fire drill was implemented together with the Kranj Fire Brigade. The goal of the drill was to verify measures, communication and co-ordination in the case of a fire between operational departments, security services and fire fighter intervention teams and groups. After the drill an analysis was performed to be used for further improvement of the measures in the case of fire. Regular inspections of active fire protection systems and other assets have been carried out.

3.9 IT

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

In addition to safety priorities, the IT Department is continuously strategically focused on improving operations and equipping employees with solutions that ensure compliance with legal requirements while boosting productivity. One of the successful projects implemented in that area was the replacement of the Document Management System (DMS), which is now accredited and compliant with the Protection of Documents and Archives and Archival Institutions Act (Official Gazette of the Republic of Slovenia Nos.30/06 and 51/14) and enables faster procedures for the validation of documents, which are mainly transmitted within the Company electronically. As an electronic support to operations, Slovenia Control is constantly introducing new electronic process flows, and electronic operations were also established for the Supervisory Board.

Due to the obsolescence of certain IT assets, a number of consolidation procedures were carried out in 2017 and 2018 in accordance with the principles of responsible asset life cycle management, and a substantial amount of obsolete hardware was replaced. The impact of those replacements is threefold. Firstly, they will help the Company meet the increasing needs for integration

within the region and the FAB CE; secondly, they provide additional protection against cyber attacks; thirdly, they allowed several pieces of equipment to be consolidated into a single system, optimising the costs of maintaining and operating those assets. Consolidation and replacement of worn out assets will be continued in 2019 as well.

In the area of the integration and interoperability of IT assets at the most critical facilities, measures were implemented for cost and capacity optimisation and improved reliability in the use of mobile technologies. As a solution that is financially and operationally independent from telecommunications service providers, a plan was drafted in collaboration with the security staff for the implementation of a wireless microwave network between critical facilities to provide interoperability and adequate bandwidth for all users within the Company. The network was partly implemented in 2017–2018, but due to certain migrations of control systems the rest will be implemented in 2019.

3.10 INTERNATIONAL COOPERATION

3.10.1 Functional Airspace Block Central Europe – FAB CE Project

Through its representatives, who represent the Republic of Slovenia together with representatives from the Ministry of Infrastructure, in 2018 Slovenia Control continued its active and successful participation in the Functional Airspace Block Central Europe (FAB CE) project in accordance with EU regulations on the Single European Sky. The active collaboration between the Company and state representatives has proved to be highly successful and must continue at the same level in the future.

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



services supporting the joint projects of FAB CE air navigation service providers.

In 2018, the following projects were carried out within the FAB CE project:

- modernisation of the airspace block plan in FAB CE, operational plan at the level of network, monitoring of implementation of FRA and cross-border optimisation of airspace in FAB CE (“DEVOPS” project);
- preparation of recommendations for regional implementation of measures for effective management of airspace in FAB CE (“DAM/STAM” project);
- public procurement of network equipment (the so-called project 17);
- plan for optimising control infrastructure in FAB CE (the so-called project 18);
- introduction of the function of the “Arrival Manager” for the Vienna Airport (“AMAN” project);
- optimisation of navigation infrastructure in the region (“NAVAID optimisation” project);
- managing re-routing of air traffic in case of extraordinary events in the region, e.g. closure of a larger part of airspace (“Contingency” project).

The following projects are being prepared and will start being implemented in 2019:

- co-ordinated implementation of ADS-B technology;
- co-ordinated implementation of control of radar frequencies in the region;
- joint implementation of control of CPDLC data connection;
- joint purchase of spare parts.

Some of the above-stated projects, which are in the phase of preparation, will be carried out as “some-in” projects, i.e. with participation of only some members of FABCE, Aviation Services, Ltd. (hereinafter referred to as FABCE Ltd.). This

option is allowed by the amended Memorandum of Association of FABCE, of which the company is also a member.

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

Having regard to the opinion that the FAB CE member states had failed to optimise their air navigation services and that they were not as efficient as required by EU regulations on the Single European Sky, in 2013, the European Commission initiated pilot procedure No.4578/2013/MOVE against the Republic of Slovenia and other FAB CE member states. In 2018, Slovenia Control participated in the preparation of standpoints for the meeting between the representatives of FAB CE and the European Commission, which was held on 11 July 2018 in Brussels, the purpose of which was reporting on the progress and results of FAB CE in line with regulations on the Single European Sky. The European Commission assessed the work of FAB CE as positive, while decisions of the European Commission on further proceedings in connection with the official warning will be communicated to member states after the review of activities and situation in other FABs presumably in 2019.

Pursuant to the FAB CE Agreement and the FAB CE Air Navigation Service Provider Cooperation Agreement, permanent project structures are in place at both the state level (the FAB CE Council, the Joint Civil-Military Coordination Committee, the National Supervisory Authority Coordination Committee, the Legal Committee) and the level of the air navigation service providers (the CEO Committee, the Steering Committee, sub-committee[s]). Slovenia Control actively participated in preparation of materials and standpoints of the Republic of Slovenia for the FAB CE Council. A representative of Slovenia Control presided the FAB CE Steering Committee in 2018, and due to a lack of qualified staff at



the Ministry of Infrastructure, the Company also provided staff to represent Slovenia in the Legal Committee. A representative of Slovenia Control also acts as the DAM/STAM Project Manager.

3.10.2 Other collaboration

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

In 2018, representatives of the Company actively participated in the formulation of opinions on the drafts of documents being prepared by the European Commission and the International Civil Aviation Organisation (ICAO) and submitted Slovenia Control's opinions and remarks to the proposers of legal and other acts via the Ministry of Infrastructure.

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

Slovenia Control participated in the preparation of standpoints of the Republic of Slovenia at the 13th Conference of the International Civil Aviation Organisation (ICAO) which took place from 9 to 19 October in Montreal. The topic of the Conference was "From concept to implementation" and included

the discussion on the implementation of operational improvements, such as technology, operational concepts and plans to achieve the goal, from the conceptual phases to the deployment itself. The focus was on the importance of concepts for global use, the regional development of implementation plans, and the local implementation of performance improvements based on specific operational requirements in a cost-effective manner. The conference was intended to open debate on issues and proposed solutions in relation to flight safety and air navigation capability, efficiency and other key areas of action that are particularly important for the aviation community and will benefit society in general. In accordance with the decision of the Government of the Republic of Slovenia as the member of the delegation of the Republic of Slovenia, the CEO of the company and the Head of the Air Traffic Services actively participated in the conference.

3.11 FLEXIBLE USE OF AIRSPACE – FUA

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

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

The Airspace Management Cell (AMC) of the Republic of Slovenia successfully participated in the preparation and execution of the Adriatic Strike 2018 and Ramstein Guard 2018 exercises in the



field of organising airspace use. Presentations of the functioning of the AMC were held in the Republic of Croatia and in the United Kingdom of Great Britain and Northern Ireland. The Rules of procedure were prepared for activation of interceptor aircraft of the Slovenian Armed Forces in tasks of protecting the airspace of the Republic of Slovenia. Civil and military members of the AMC have regular consultations regarding alignment of flexible use of airspace in the Republic of Slovenia. In future it will be necessary to further adjust the use of airspace for unmanned aircraft, whose use is on the rise.

Pursuant to the Decision of the Government of the Republic of Slovenia, in 2019 the Slovenian Armed Forces will continue activities for the development of the Slovenian Armed Forces, maintenance of connectivity in the system of collective defence in order to ensure readiness for military defence tasks, participation in international organisations and missions, and cooperation in the implementation of protection and rescue tasks. Major international military exercises are planned in the Republic of Slovenia, namely "Adriatic Strike", "Astral Knight", "Immediate Response" and "Ramstein Guard".

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

3.12 USER CONSULTATION

Slovenia Control continuously adapts its provision of air navigation services to the needs of their users. Among the Company's more notable activities are its dynamic involvement in coordination between civil and military airspace users and especially its air navigation services in

the flexible use of airspace system. The Company actively participates in periodic consultations and co-ordinations with commercial airspace users (represented mainly by interest groups) and other air navigation service providers in the EU-wide (free) route network. Especially in connection with the latter, consultations with airspace users related to the introduction of a new, larger airspace volume with free routes with the aforementioned SECSI FRA project were noticeable in 2018.

Several workshops and consultations were organised with airspace navigation service providers involved in the SECSI FRA initiative. This is a successfully completed project that will be of direct benefit to commercial airspace users. The cross-border free route airspace brings an added value in the form of reduced greenhouse gas emissions and lower fuel consumption, which constitutes a major step towards the goal of a zero-carbon society, as well as reduced travel times and thus greater mobility. From the point of the structure of the airspace, these changes are extensive and make the airspace structures of the participating countries, including the Slovenian, mutually adjusted. These changes are also part of the expected major changes which follow the goals of the Single European Sky.

During the year, activities related to preparations for the planned modernisation of airspace below the level of 245 (FL245) were carried out. The main focus was on the drafting of a document for the design of airspace, which, in addition to the generally applicable rules (ICAO, EU, Eurocontrol, etc.), takes into account the specifics of the geographic configuration and structure of airspace users in the Republic of Slovenia. The expert services of Slovenia Control continued to work on drafting the approach and departure procedures and the location of the Cerklje ob Krki terminal zone (TMA). Guidelines for the implementation of procedures have been agreed with the neighbouring Republic



of Croatia, i.e. for the procedures of the Zagreb Airport in the Republic of Croatia and for the Cerklje ob Krki Airport in the Republic of Slovenia, with the aim of ensuring safe and flowing airspace on both sides of the border.

The Company's operational units held regular consultations with Slovenian aviators from Slovenian air clubs and informed them about new developments in the Slovenian airspace.

An AIS user satisfaction survey was prepared in December 2017. The survey was published on the Slovenia Control website and the link was sent to all registered users of eARO, the subscribers of the VFR map and to all who submit NOTAM requests. By the end of February 2018, 269 users had responded to the survey, of which 62 were from abroad; most answers were very positive. Answers were prepared to the questions and suggestions that were presented at the Seminar for Airspace users on 12 May 2018 at Brnik and during regular consultations with Slovenian aviators at air clubs in the Republic of Slovenia.

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

3.13 PUBLIC PROCUREMENT

Slovenia Control is a body governed by public law established to carry out an activity that is in the general interest and is not of an industrial or commercial nature, and carries out the activity of providing infrastructure for air carriers. Slovenia Control is liable to public procurement rules under the Public Procurement Act (Official Gazette of

the Republic of Slovenia Nos.91/15 and 14/18) (hereinafter referred to as the ZJN-3) for general procurement as well as infrastructure procurement. The same also follows from the Decree on the indicative list of contracting authorities and mandatory information in notices regarding small-value contract procedures (Official Gazette of the Republic of Slovenia No 37/16).

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

A total of 360 contract award procedures were carried out in 2018, three of which were ended without submission, while 357 procedures for contracts were successfully concluded in the total value of EUR 8,696,209.45 excluding VAT.

All public procurement procedures carried out consisted of:

- 178 procedures for general contracts under the Public Procurement Act with a total value of EUR 2,329,664.59 excluding VAT were successful and 2 procedures were not submitted (180 in total);
- 179 procedures for infrastructure contracts under the Public Procurement Act with a total value of EUR 6,366,544.86 excluding VAT were successful and 1 procedure was not submitted (180 in total);

Table 7 / Procedures for general contracts under the Public Procurement Act

Public procurement procedures, including simplified procedures, in 2018

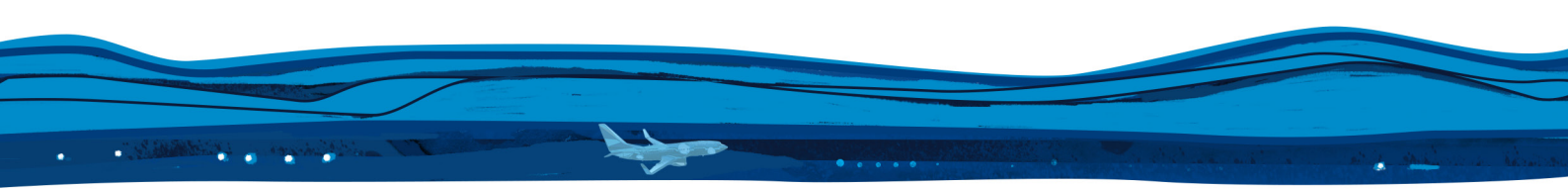
Type	Procedures	Not submitted	Submitted	Value in EUR
Goods	35	1	34	246,498.33
Construction	0	0	0	0.00
Service	145	1	144	2,083,166.26
	180	2	178	2,329,664.59

Table 8 / Procedures for infrastructure contracts under the Public Procurement Act

Public procurement procedures, including simplified procedures, in 2018

Type	Procedures	Not submitted	Submitted	Value in EUR
Goods	58	1	57	494,030.85
Construction	3	0	3	87,920.91
Service	119	0	119	5,784,593.10
	180	1	179	6,366,544.86

Both tables are prepared on the basis of records, which must be kept by the Company pursuant to ZJN-3. Said records include data on all public procurement procedures of Slovenia Control in 2018, including the procedures and concluded contracts with the subject of procurement which according to ZJN-3 is considered to be an exception and to which ZJN-3 does not apply (Article 27 of ZJN-3).



4

AIR TRAFFIC DATA FOR 2018

4.1 INTRODUCTION

Slovenia Control provides air navigation services in the Slovenian airspace (Ljubljana FIR) on behalf of the Republic of Slovenia in accordance with the Act on the Provision of Air Navigation Services. The area of responsibility in which the Company provides air navigation services is defined in the Act on the Provision of Air Navigation Services as well as in the letters of agreement between area control centres (hereinafter referred to as the “LoAs”) determining the boundaries of responsibility for the provision of services in airspaces. In accordance with the LoAs, the Ljubljana Area Control Centre is therefore responsible for the provision of services in an airspace that does not correspond to the Ljubljana FIR.

Chart 9 / Ljubljana FIR



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

Chart 10 / Dolsko Sector



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



Chart 11 / Mura Sector



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

Number of service units

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

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

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

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

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

Chart 12 / Terminal zones in the Ljubljana FIR



where:

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

MTOW is the maximum take-off weight.



4.2 AIR TRAFFIC ANALYSIS

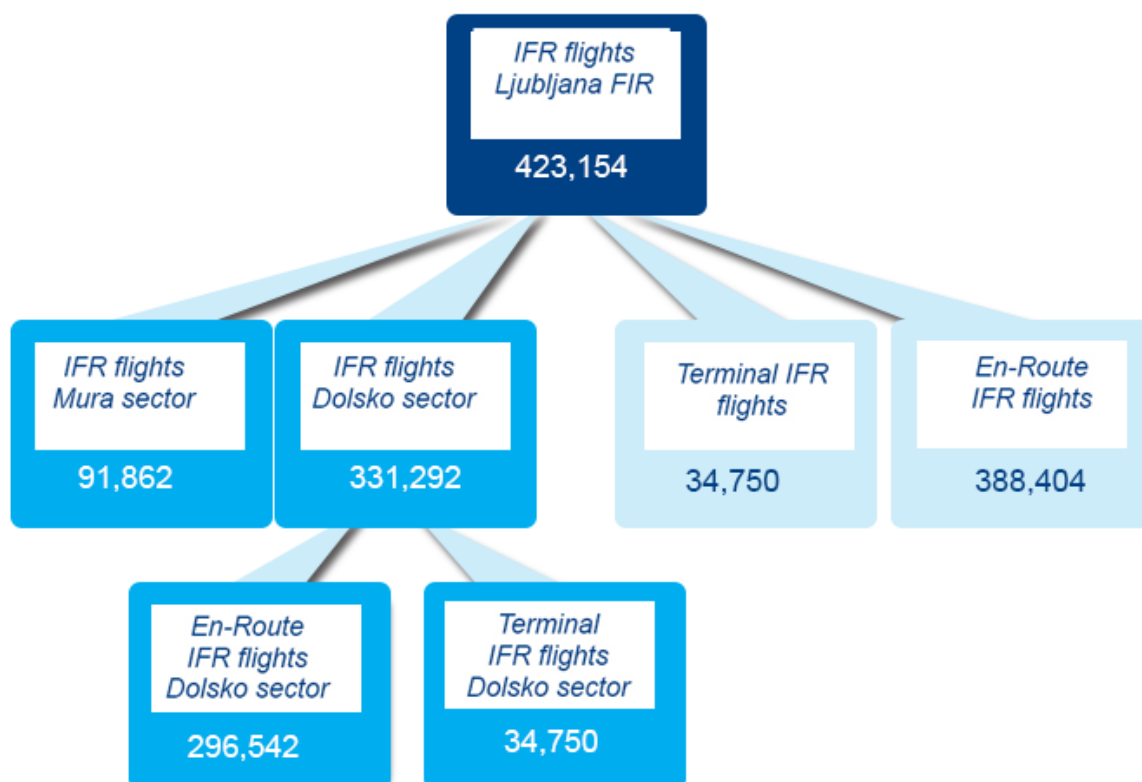
This air traffic analysis examines the trend in the number of IFR flights and its correlation with the number of en-route and terminal service units, which affects the amount of revenue generated by the Company. The analysis was conducted on the basis of the Company's own data and the data of Eurocontrol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

In 2018, a total of 439,286 flights were recorded in the Slovenian airspace, of which 16,132 were

VFR (visual flight rules) and 423,154 were IFR (instrument flight rules) flights.

IFR flights are differentiated according to the flight phase into either en-route or terminal flights and according to the airspace in which they are made. For a clearer illustration, the diagram below shows the breakdown of IFR flights according to the two criteria.

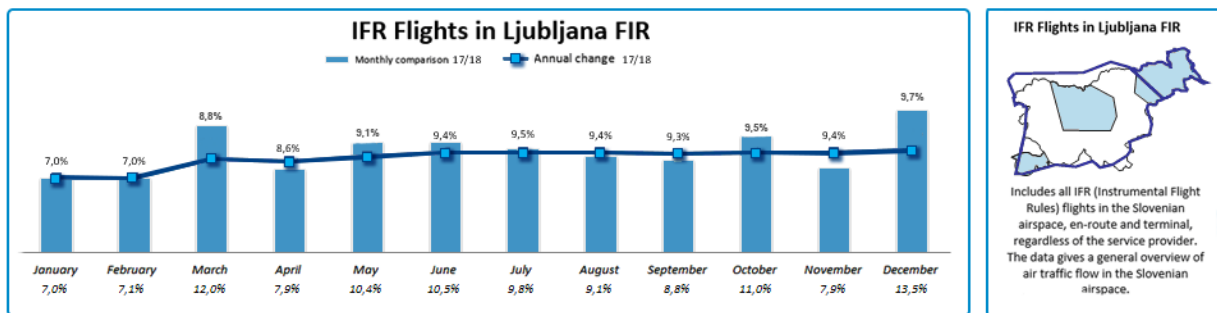
Chart 13 / Breakdown of IFR flights by flight phase and airspace



Ljubljana FIR

Compared to 2018, the total number of IFR flights in the Republic of Slovenia grew by 9.7% on average, while the total number of IFR flights grew by 3.9% at the EU-28 level.

Chart 14 / IFR flights in the Ljubljana FIR



Source: Eurocontrol (STATFOR), Company 2018

The table below shows the trend in the total number of IFR flights in the Republic of Slovenia from 2010 to 2018. The IFR flight growth rates for the EU-28 region are provided for comparison. The figures include all IFR flights (en-route and terminal) in the Ljubljana FIR, regardless of the provider of air navigation services and regardless of the flight phase.

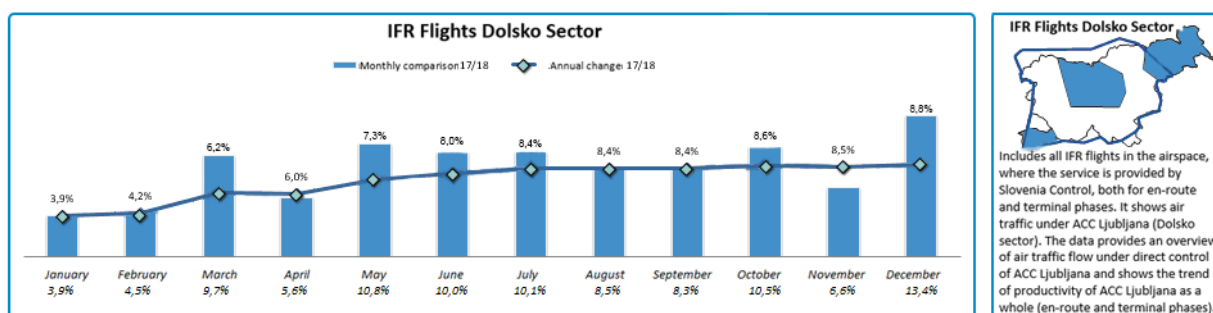
Table 9 / Number of IFR flights in the Republic of Slovenia 2010–2018

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

Dolsko sector

In the Dolsko sector, where the service is provided by Slovenia Control via the Ljubljana Area Control Centre (Ljubljana ACC), the total number of all IFR flights (en-route and terminal) grew by 8.8% on average over 2017.

Chart 15 / IFR flights in the Dolsko sector



Source: Eurocontrol (STATFOR), Company 2018

Table 10 shows the trend in the total number of IFR flights in the Dolsko sector from 2010 to 2018.

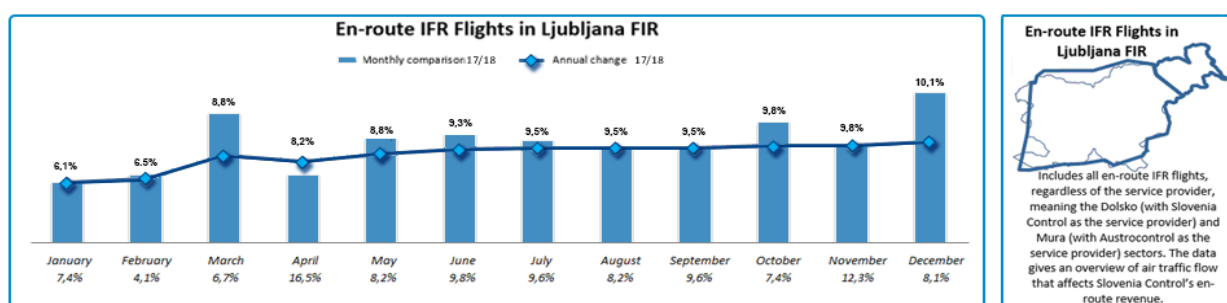
Table 10 / Number of IFR flights in the Dolsko sector 2010–2018

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

4.2.1 En-route traffic

Compared to 2017, the number of en-route flights increased by 10.1% in 2018.

Chart 16 / En-route IFR Flights in the Ljubljana FIR



Source: Eurocontrol (STATFOR), Company 2018

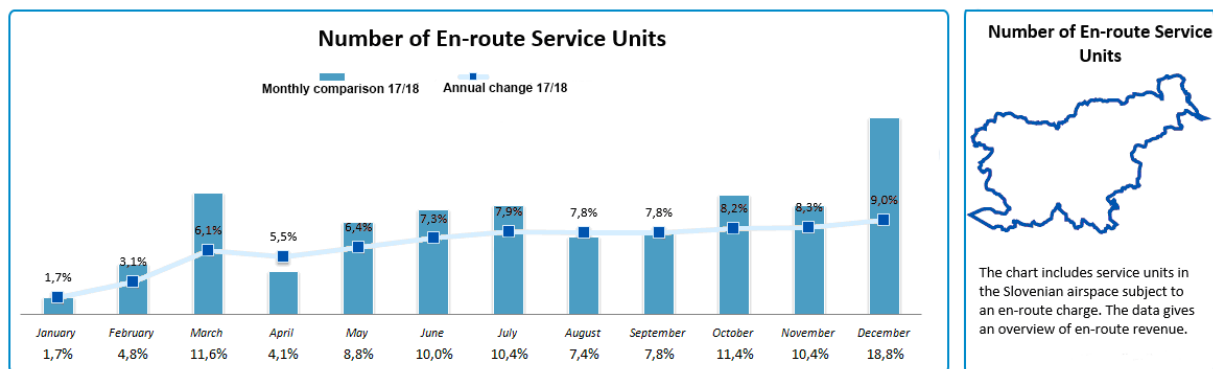
The table 11 shows the trend in the number of en-route IFR flights in the Ljubljana FIR from 2010 to 2018.

Table 11 / Number of en-route IFR flights in the Ljubljana FIR 2010–2018

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

In 2018, the number of en-route service units increased by 9.0% over 2017. In comparison with previous years, this constitutes a growth of 14.0% over 2016, 22.7% over 2015, 24.5% over 2014, and for example as much as 72.8% over 2009.

Chart 17 / En-route service units in the Ljubljana FIR



Source: Eurocontrol (CRCO), Company 2018

The table below shows the trend in the number of en-route service units 2010–2018.

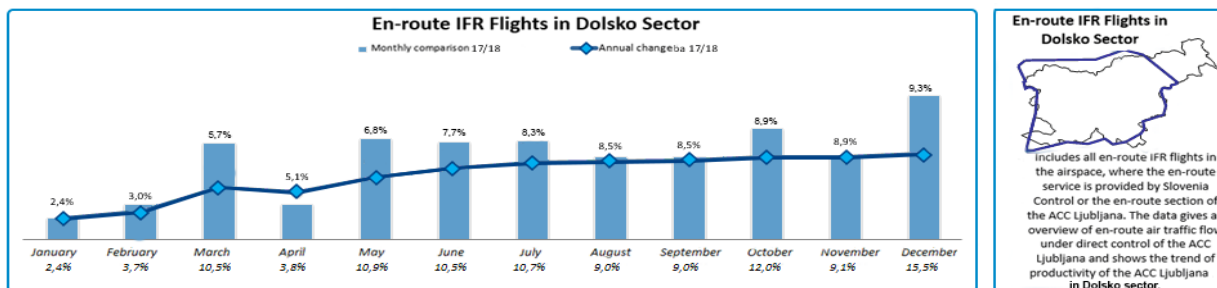
Table 12 / Number of en-route service units 2010–2018

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

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

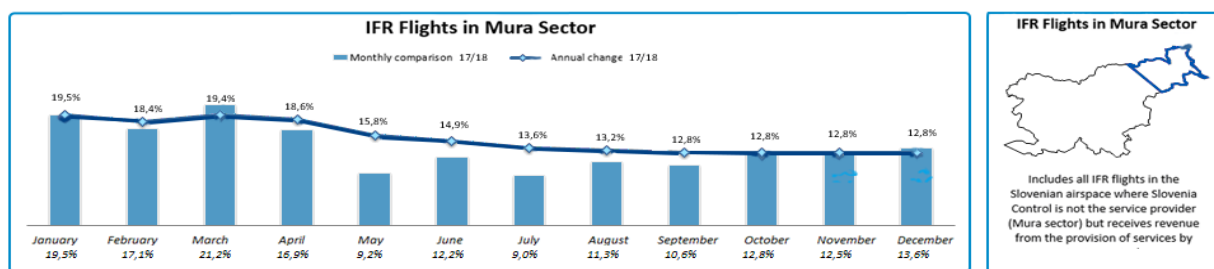
In 2018, the number of IFR flights in the Dolsko sector increased by 9.3%, while it increased by 12.8% in the Mura sector, compared to 2017. The number of service units thus grew by 9.0% in 2018 over the previous year.

Chart 18 / En-route IFR flights in the Dolsko Sector



Source: Eurocontrol (STATFOR), Company 2018

Chart 19 / En-route IFR flights in the Mura Sector



Source: Eurocontrol (STATFOR), Company 2018

The table below shows the trend in the number of en-route service units in the Dolsko sector and the Mura sector from 2010 to 2018.

Table 13 / Number of en-route service units in the Dolsko sector and the Mura sector 2010–2018.

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



IFR traffic under the control of the Company

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

In 2018, the Ljubljana Area Control Centre, which is responsible for the Dolsko sector, recorded an

8.8% increase in traffic compared to 2017. A total of 331,292 flights were made in the Dolsko sector in 2018, with an average of 908 IFR operations per day.

The following milestones were achieved (in terms of the number of IFR operations) compared to previous years:

Table 14 / Milestones in the number of IFR flights in the Dolsko sector 2010–2018

Maximum figures in previous years

Year	The highest number of IFR operations per hour was recorded on 01/07/2018 between 9.00 and 10.00 UTC	The highest number of IFR operations per hour was on 14/07/2018	The highest number of IFR operations per week was recorded from 16/07/2018 to 22/07/2018	The highest number of IFR operations in the year were made in July 2018
2010	88	1,029	6,383	27,488
2011	91	1,184	7,129	30,861
2012	99	1,263	7,281	31,691
2013	99	1,255	7,223	31,106
2014	99	1,353	7,595	33,338
2015	97	1,306	7,344	32,113
2016	97	1,244	7,583	32,717
2017	105	1,427	8,341	36,285
2018	108	1,522	9,272	39,943

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

correlated to the human resources available at the Ljubljana Area Control Centre.

A total of 15,654 sector hours were recorded in 2018. In 2018, an average of 42.9 sector hours were recorded per day, constituting an increase of 5.3% compared to the year before.

In 2018, the Ljubljana Area Control Centre accumulated a maximum of 66 sector hours in total in any single day. All the data on the number of sector hours is shown in the table below.

Table 15 / Number of sector hours 2010–2018

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

In 2018, the Ljubljana Area Control Centre performed a total of 16,132 VFR operations, marking a 1.0% increase compared to 2017.

Table 16 / Number of VFR flights in the period 2010–2018

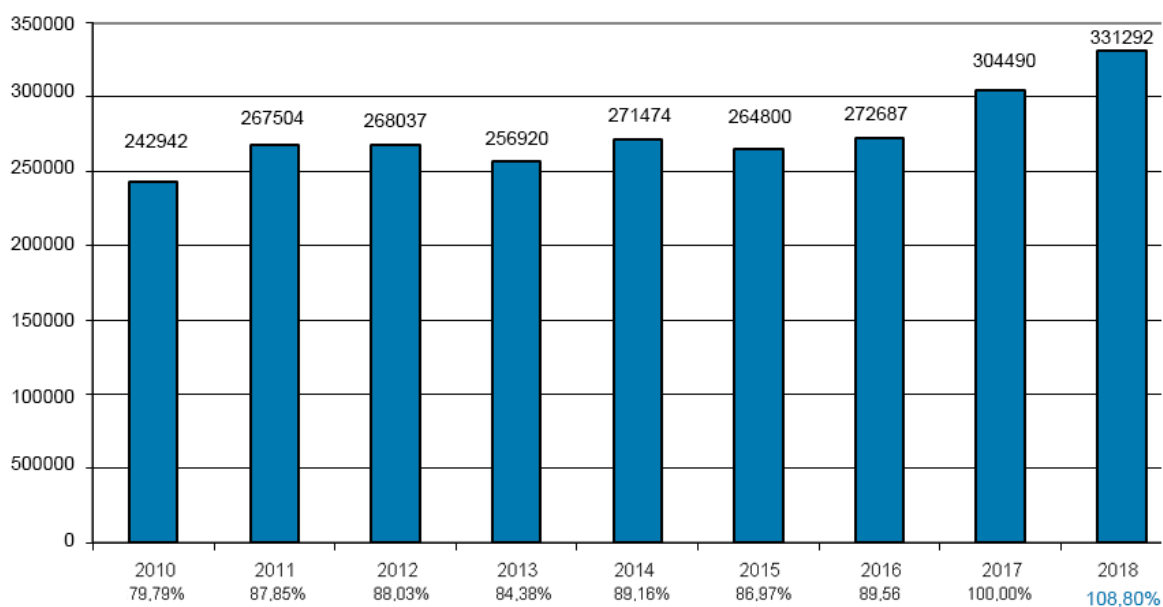
Year	Number of VFR flights	Growth rate (in percentage)
2010	13,733	-8.0%
2011	17,074	+24.3%
2012	15,050	-11.9%
2013	13,683	-9.1%
2014	13,098	-4.3%
2015	15,569	+18.9%
2016	14,859	-4.6%
2017	15,968	+7.5%
2018	16,132	+1.0%



Forecasts and actual traffic in the Dolsko sector in 2018

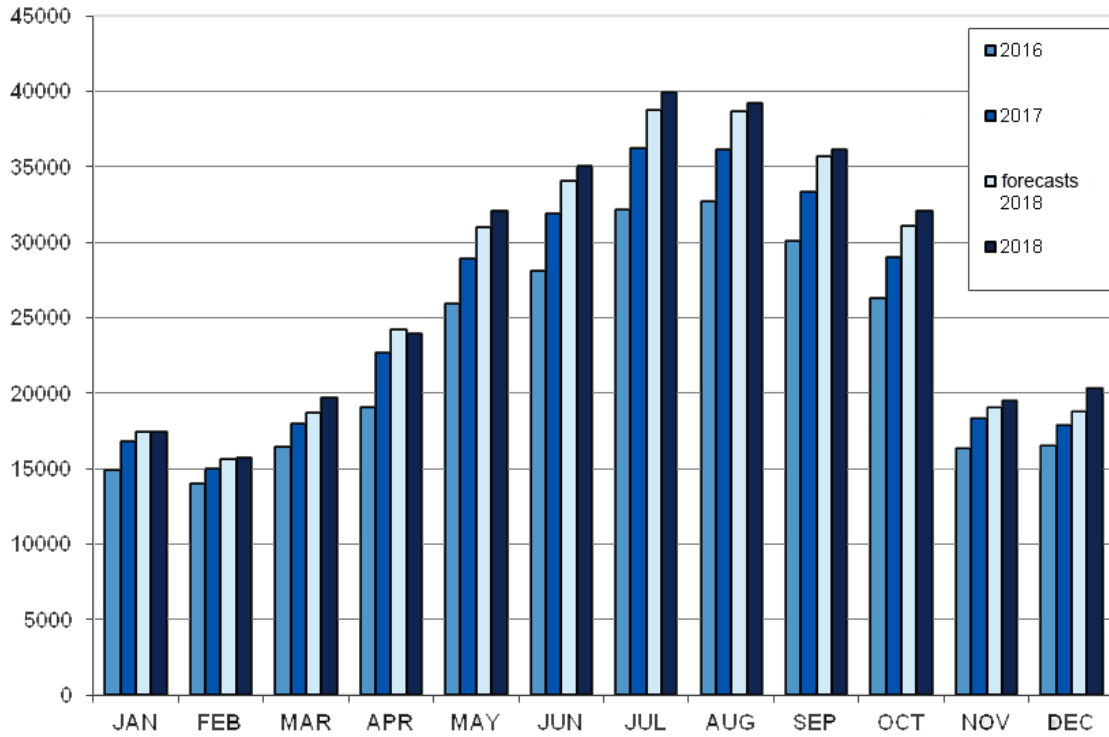
Traffic exceeded expectations in 2018. Although forecasts predicted a growth of 6.21%, an actual increase of 8.8% in IFR traffic over 2017 was recorded as at year-end. The main reasons were a faster-than-expected growth in EU economies, the shift of tourist flows (increase in traffic towards Greece, Turkey and Croatia), the orientation of low-cost airlines to new markets, etc.

Chart 20 / Traffic from 2010 to 2018

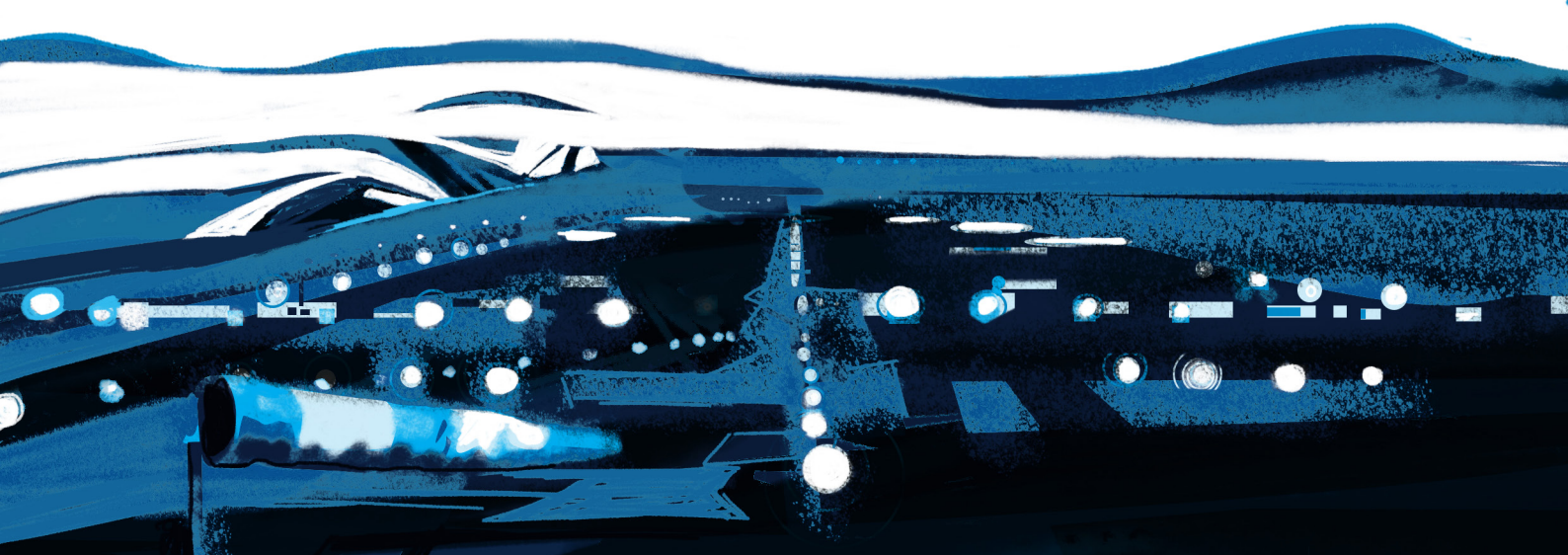


The comparison is made with 2017 as the 100%. Source: Company 2018

Chart 21 / Traffic in 2016, 2017, forecasts for 2018 and actual traffic in 2018



Source: Company 2018





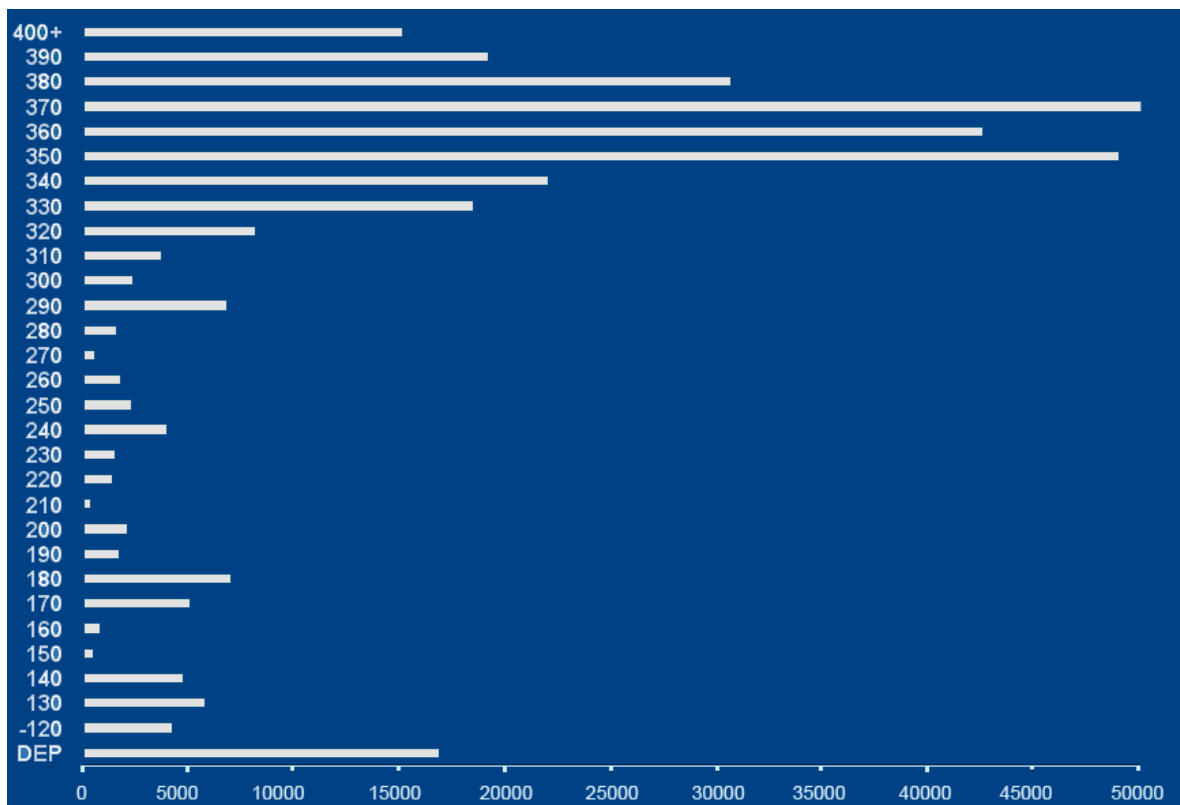
Flight level data

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

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

The vertical distribution of aircraft is most clearly illustrated by the fact that 16.9% of all IFR traffic is concentrated at a single flight level (FL 370). The most heavily used flight levels were FL 350 (altitude of 35,000 feet) and FL 370 (altitude of 37,000 feet). A comparison with the previous year shows that the traffic in both segments increased, somewhat more in the upper airspace.

Chart 22 / Traffic by flight level in 2018 in the Dolsko sector



Source: Company 2018

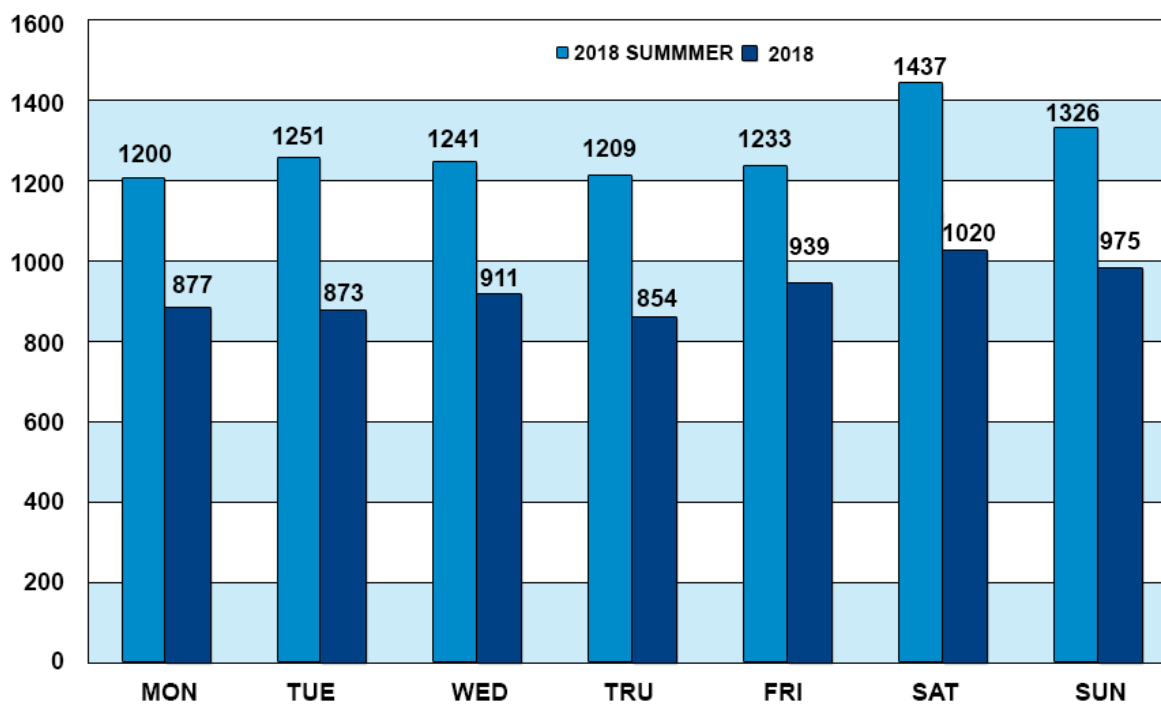


Breakdown of traffic by day

The number of IFR flights in the Dolsko sector was evenly distributed over the days of the week throughout the year (second column in Figure 23). The figure below shows the average number of flights throughout the year 2018. There is some variation between different times of the year that can balance out in other periods. It should be noted that the figure below shows the average over 11 weeks (1,103 IFR flights per day at minimum and 1,522 flights per day at maximum). The first column

shows the distribution of IFR flights in the Dolsko sector by day in the summer season (1 July–15 September). Saturdays stand out as the busiest days. During the summer season, there were 19.2% more IFR flights on an average Saturday than on an average Monday or Tuesday. In addition to being the busiest days, Saturdays also stand out because of their complexity, as the traffic structure is noticeably more complex due to heavy holiday traffic to Croatian airports (Split, Pula, Rijeka and Zadar).

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



Source: Company 2018

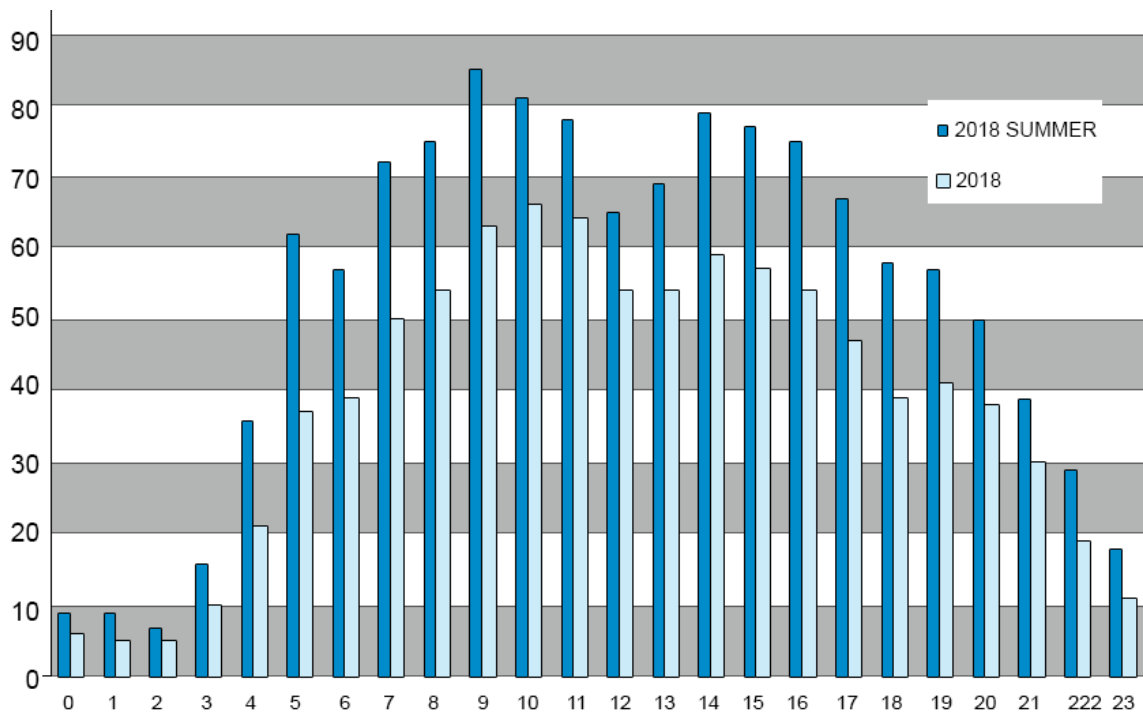


Average number of IFR flights in the Dolsko sector by hour

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

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

Chart 24 / Traffic by hour (UTC)

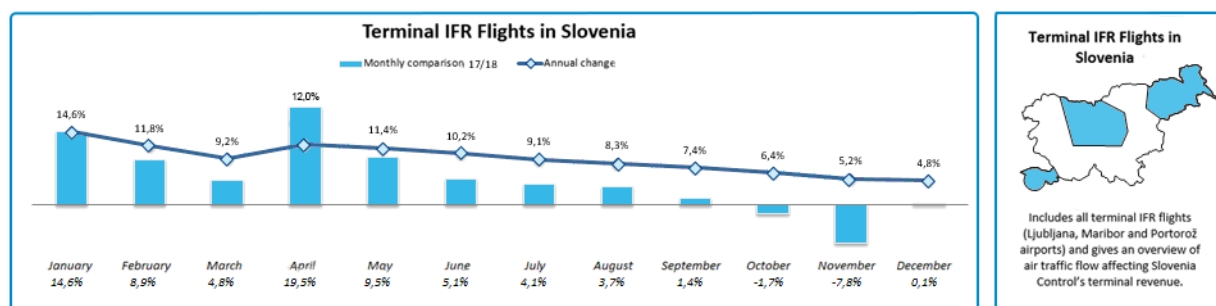


Source: Company 2018

4.2.2 Terminal traffic

The number of terminal IFR flights in 2018 rose again, although to a somewhat lower percentage of +4,8%, but the trend is encouraging in comparison to 2010–2014 when decrease in traffic was recorded.

Chart 25 / Terminal IFR flights



Source: Eurocontrol (STATFOR), Company 2018

The table below shows the trend in the number of terminal IFR flights from 2010 to 2018.

Table 17 / Number of terminal IFR flights in the Republic of Slovenia 2010–2018

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



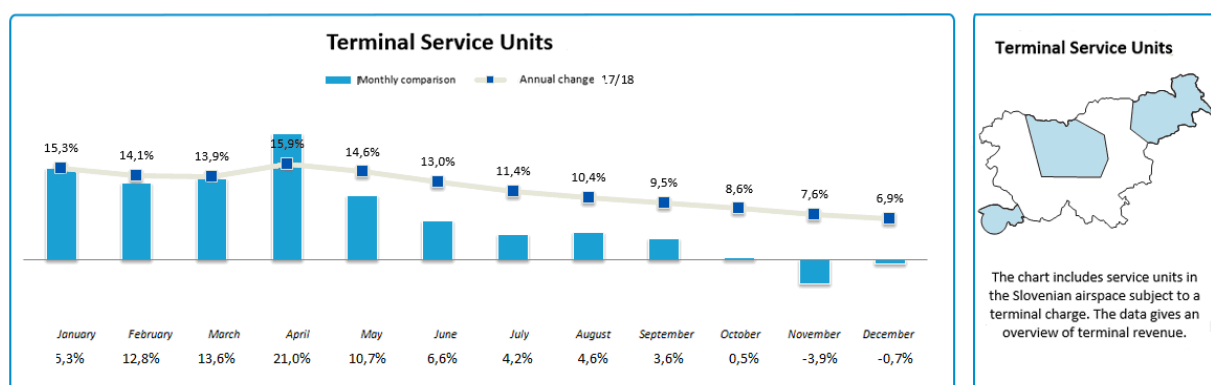
The basic traffic data obtained from individual aerodrome control units is shown in Table 18.

Table 18 / Traffic data by air traffic control unit (TWR)

Month/Year	TWR Portorož	TWR Maribor	TWR Brnik	TWR Cerklje ob Krki
Number of IFR operations in 2018	2,471	2,851	31,872	/
Average number of IFR operations per day	6.8	7.8	87.2	/
Highest number of IFR operations in a day	28	30	123	/
Number of VFR in 2018	12,240	24,068	13,344	6,284
Average number of VFR operations per day	33.4	65.7	36.5	27.5
Highest number of VFR operations in a day	143	391	114	129

Compared to 2017, the number of terminal service units increased by 6.9% in 2018. Naturally, the number of terminal service units is highly dependent on the number of terminal IFR flights. The table below shows the trend in the number of terminal service units from 2010 to 2018.

Chart 26 / Terminal service units



Source: Eurocontrol (CRCO), Company 2018

**Table 19 /** Number of terminal service units 2010–2018

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

4.2.3 Air traffic analysis summary

Number of IFR flights

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

a considerable jump of +9.3%, and 3.8% in the EU-28. In 2018, the growth in traffic continued with 9.7%, while the growth rate at the level of EU-28 was 3.9%.

Traffic in the airspace where the service is provided by Slovenia Control (the Dolsko sector in the en-route phase and the three terminals in the terminal phase) exceeded the 2015 figures by 8.8% in 2018. This trend in traffic represents the average of both flight phases (en-route and terminal). Overall, the number of en-route IFR flights in the entire Slovenian airspace grew by 10.1%, with the Dolsko sector recording an increase of 9.3%, and 12.8% in the Mura sector.

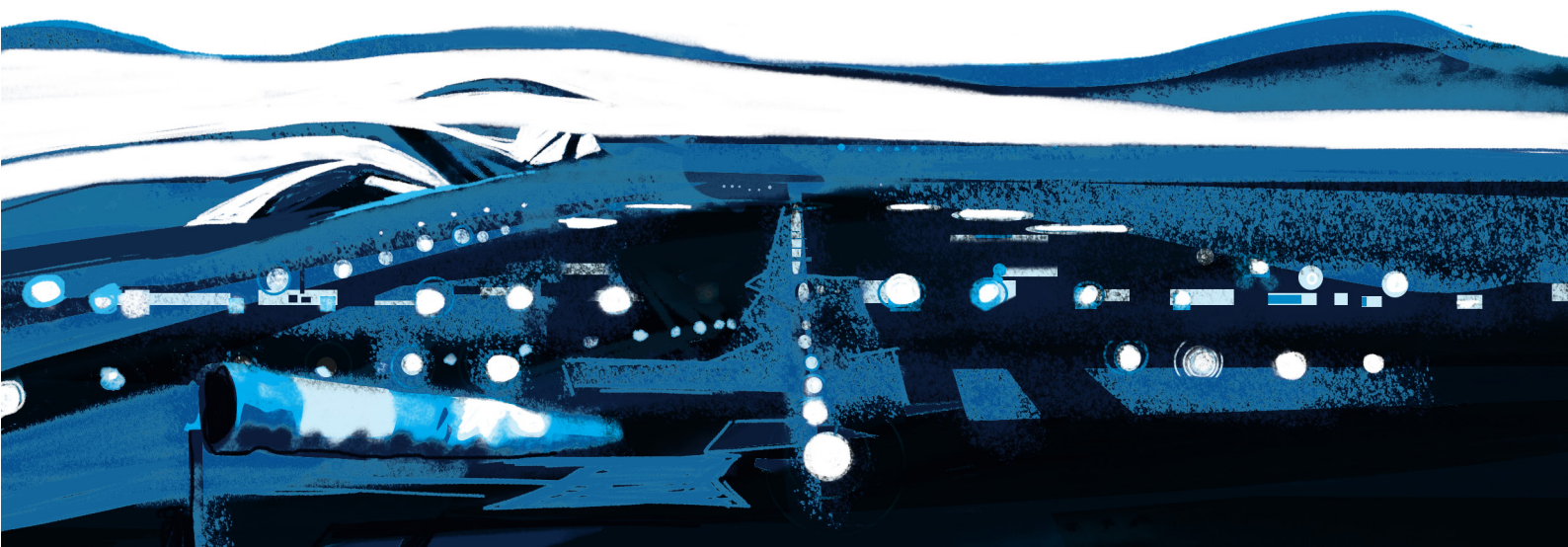
Number of service units

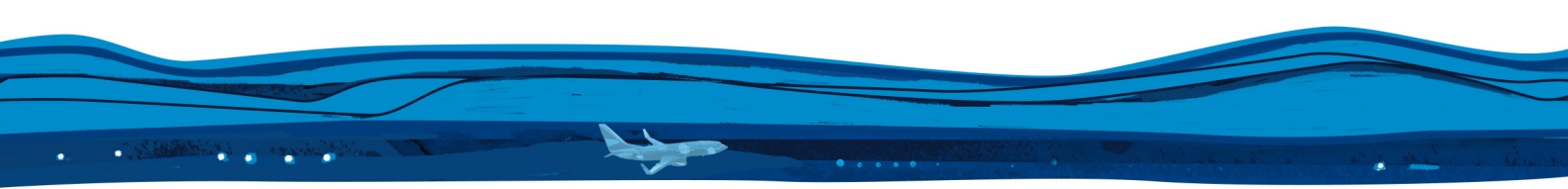
The number of en-route service units followed the trend in traffic (+9.0% 2018/2017). Compared to 2009, the number of en-route service units is significantly higher (+72.3% 2018/2009).

Compared to 2017, the number of terminal service units increased by as much as 6.9% in 2018.

4.3 ANALYSIS OF REGULATIONS AND DELAYS IN 2018

In 2018, the Ljubljana Area Control Centre (Ljubljana ACC) had 26 regulations. This resulted in minimal delays in air traffic (0.015min/flight) that totalled 5,000 minutes. It is important to note that the delay target for 2018 summer season was 0.33min/flight, meaning that the Ljubljana Area Control Centre could have “generated” delays of up to 33,308 minutes in just 11 weeks of summer season. The reasons for regulations were: weather, sector capacity, human resources and ASM. The sector configurations and the planning of operational personnel were optimal.





5

INVESTMENTS

In 2018 we continued the implementation of the investment project of establishing the Data Link functionality i.e. the data transfer of the ground-to-air-to-ground communication between air traffic controllers and pilots of aircraft in the air. Although it means following the technical progress in providing technical support for the air traffic management and control process, this project is implemented primarily to fulfil the legal requirements (Commission Regulation No 29/2009/EU) to implement such facilities, as considering the specificity of the Slovenian airspace, no other technical advantages or benefits can be expected from such a system. The level of complexity of the implementation of the data transfer functionality in ground-air-ground communication into a functional system is the reason that this project was completed only in January 2019.

The year 2018 was also marked by successful maintaining of the important investment project of establishing multilateration in airspace of the Republic of Slovenia, the “Slovenia Wide Area Multilateration System” project (SLOWAM). This is a system that, in contrast to active radar

systems, is predominantly passive in determining the exact position of aircraft in the controlled airspace and independent from radar systems. The multilateration system represents a completely new control chain in the Slovenian airspace and thus significantly increases the performance and robustness of aircraft detection and tracking aircraft in the air. Installation of receiving or receiving and transmitting system antennas at nineteen (19) locations throughout Slovenia and the implementation of the central processor of acquired data at the Company’s home location, the implementation of flight calibration and fine tuning of system in 2018 are excellent starting points for the final operational use of the system. This is already planned in the spring 2019.

In 2018, the investment maintenance of several operating systems was realised. Among these, the leading investment is maintenance in the field of automated systems, namely by replacing the firewall of the operating networks, replacing the hardware for the ARTAS system for determining the paths or “tracks” of airlines in the air, and the purchase of a new system for analysing the data



of the control chains of radar systems and the multilateration system. In 2018, we carried out the process of purchasing technical support from the manufacturer for the operational "Safety Net" system, which is used directly in the process of air traffic management and control (the process was completed in January / February 2019). In the field of communication systems an investment was made in the replacement of the antenna system at the VHF location of ground-air communication on Krim and in the final phase of the establishment of a new VHF location on Slavnik, primarily to improve the ground-air communication of the Air Traffic Control at the Portorož Airport. The following was performed in the area of the operational electricity system: investment maintenance of heating and cooling system of the control tower at Maribor Airport, replacement of accumulator batteries, continuous power supply systems and electrical installations of primary power supply for operating systems. In addition, investment in the construction of the point-to-point optical network at Maribor Airport, which replaced the old one from 1976, was completed in 2018; It is a network at Maribor Airport to which remote control systems of navigation systems are connected.

In recent years, Slovenia Control has begun to make active efforts to obtain EU funds in order to secure additional sources of funding for the necessary investments in new systems and equipment to ensure adequate technological resources, compliance with the relevant EU legal framework, the achievement of the required levels of safety and operational capacity, and the continued competitiveness of its services. Thus, one of the important achievements of Slovenia Control is the successful acquisition of European funding for seven projects, two of which have already been completed. Five projects have received 50% co-financing of European funds from the "Connect Europe Facilities – CEF" programme, while two have received 43% co-financing.

Until now, Slovenia Control has successfully completed the "ATM Data" 'as a service'(ADaaS) project and "Free Route Airspace from the Black Forest to the Black Sea (CEF FRA)" project. Work


on the ADaaS and CEF FRA projects started in 2015 and was successfully completed in 2017. The final obligations for the ADaaS project were carried out in 2018, while the "Free Route Airspace from the Black Forest to the Black Sea (CEF FRA)" project will last until 2021.

In 2018 Slovenia Control actively participated in and carried out the following projects:

- As part of a consortium with fifteen other partners (Eurocontrol, Austro Control (Austria), DSNA (France), ENAIRE (Spain), FINAVIA (Finland), IAA (Ireland), LFV (Sweden), LVNL (Netherlands), MNAV (Macedonia), NATS (UK), NAVIAIR (Denmark), SMATSA (Serbia and Montenegro), NAV Portugal (Portugal), Aéroports de Paris (France), Belgocontrol (Belgium)) in the "NewPENS Stakeholders Contribution for the Procurement and Deployment of NewPENS (NewPENS)" project, which was granted 50% co-financing from European funds The first activities under the project started in 2016 and the project will be concluded in 2020.
- "FAB CE wide implementation of DAM and STAM Study" (DAMSTAM) project as a project partner, with FABCE, Ltd. as the promoter and main coordinator. Slovenia Control was successful with its tender registration and acquired 43% of funds for the project.
- "Air Ground Datalink Implementation" (Datalink) project as the promoter and coordinator; the project constitutes a necessary investment, as the "Datalink" service, as already mentioned, will be binding on all air navigation service providers as of February 2018. Slovenia Control was successful with its tender registration and acquired 43% of funds for the project.

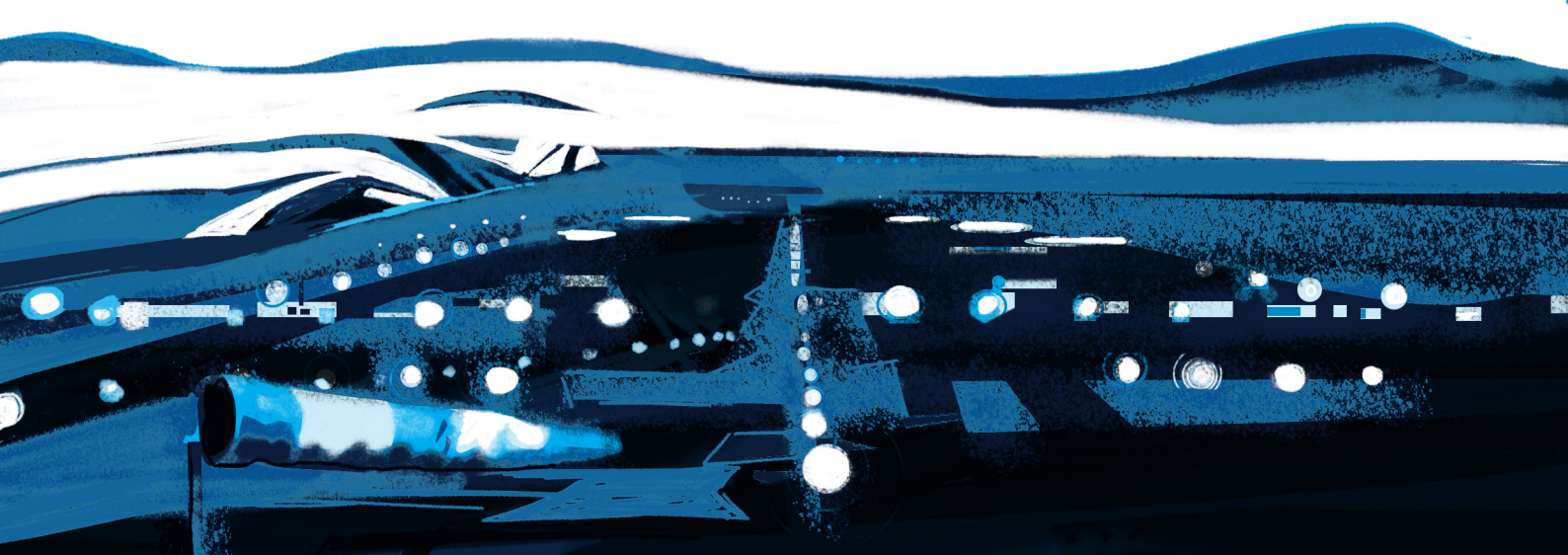
In 2018, the Company participated in a call of the European Commission under the CEF to secure EU funds to co-finance three projects, namely:

- "ATM Data as a Service – Cluster Deployment" (ADaaS2), as the promoter and coordinator; the project partner is Eurocontrol – Maastricht Upper Area Control (MUAC);

- 
- “Slovenia Wide Area Multilateration System” (SLOWAM), as the promoter and coordinator;
 - “SWIM Common Public Key Infrastructure & Cybersecurity” (SWIM PKI & CS), as a project partner (the project will probably have 30+ partners), with Eurocontrol as the promoter and main project coordinator.

Slovenia Control actively collaborates with the SESAR Deployment Manager (SDM) and coordinates all the necessary activities in the procedure for the submission of proposals for the entry and implementation of the project SWIM PKI & CS. For the other two projects (ADaaS2 and SLOWAM), the Company submits the projects directly to the European Commission – INEA (Innovation and Networks Executive Agency).

Slovenia Control was successful in the European Commission’s call and received 50% co-financing for two projects: “Slovenia Wide Area Multilateration System” (SLOWAM) and “SWIM Common Public Key Infrastructure & Cybersecurity” (SWIM PKI & CS), while the submitted “ATM Data as a Service – Cluster Deployment” (ADaaS2) project was rejected. Nevertheless, Slovenia Control decided to continue the ADaaS2 project, as the implementation of solution represents a key element in positioning of the Company in the European area. The project is on the cusp of developing an operational system prototype that will give the Company a competitive edge in the future and an opportunity to engage in an additional market-oriented activity by providing operational services for other air navigation service providers.





6

RISK MANAGEMENT

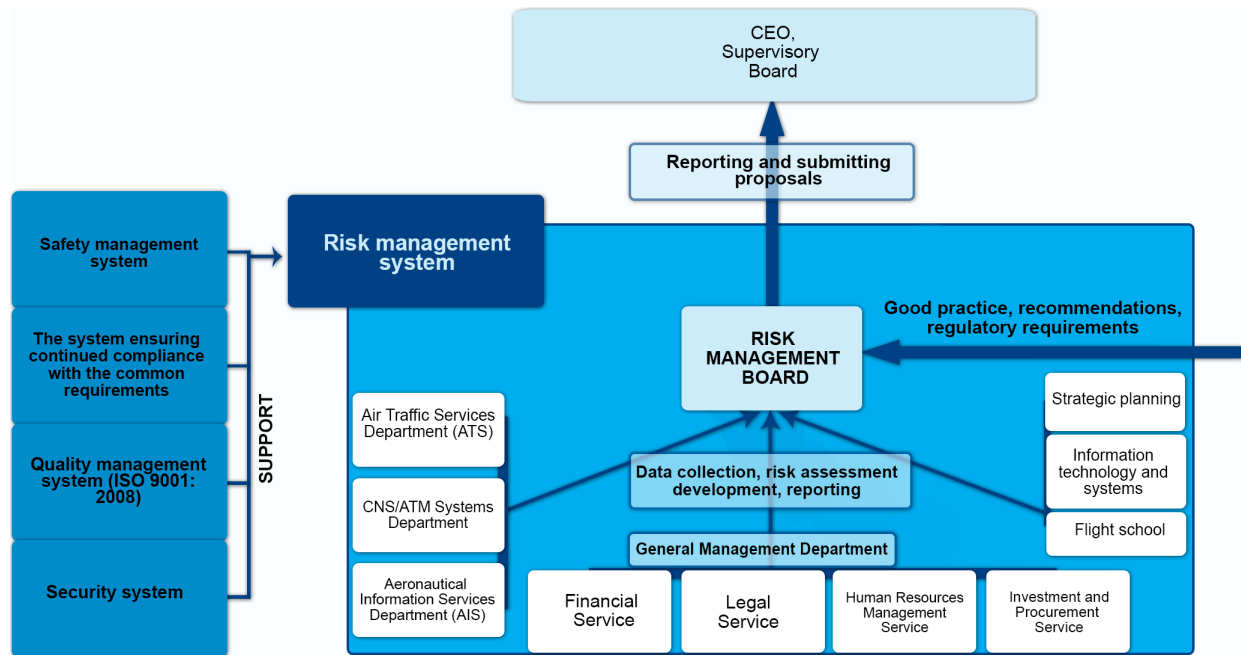
Air traffic management and control is a highly specific and complex activity that involves a number of general and specific risks. The Company is well aware of the need for the proper management of risks that must ensure the detection and assessment, monitoring and management of key risks for the stability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

Considering its activity, the Company is one of the key factors of aviation safety and represents an element of the country's key infrastructure. As such it is obliged to organise a security service, defence planning and is an inseparable element of civil aviation; it is obliged to ensure the protection of civil aviation against acts of unlawful interference with the technology of the work of air navigation services and the appropriate level of safety of the Company and its processes.

In line with its activity, the Company's risk management system is effectively supported

by a safety management system, a compliance management system ensuring continuous compliance with the common requirements for the provision of air navigation services under Commission Implementing Regulation (EU) No1035/2011, an ISO 9001:2015 quality management system and a security system. Since the safe provision of air navigation services is Slovenia Control's top priority, safety risk management is ensured through the effective implementation of the safety management system. It is important for the Company to maintain an adequate overview of its risks and appropriate mechanisms for their management. For this reason, a working group (committee) in charge of risk management and the oversight of risk management was appointed. Below is a summary of the position, role and relationships of the risk management system relative to other departments and organisational units within the Company.

Chart 27 / Risk management system



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

extreme event (security crises and wars, terrorist attacks, epidemics, volcano eruptions, etc.), risks related to development and investments and the maintenance of technical systems and devices, security risks (sabotage, vandalism and fire risk) and personnel-related risks. The key information risks identified by the Company are the risk of hacking into the IT system and the risk of failure or destruction of the primary and/or secondary data centre.

As a key strategic risk, the company recognised the regulatory risk arising from the traffic risk sharing mechanism described below (that also allows to express the effects of increasing oil prices and a decrease in economic activity – recession), risk related to strategic planning and risk related to maintaining and renewing the licence (certificate) to provide air navigation services. Among the financial risks, the key risk is the credit risk arising from the Company’s exposure to the largest customer in the terminal charge segment. In the group of operational risks, the most important identified risks were the risk of an external

Slovenia Control’s risk profile is influenced significantly by Commission Implementing Regulation (EU) No 390/2013 and (Commission Implementing Regulation (EU) No 391/2013, which lays down the methodology for establishing national cost bases, and thus unit rates or charges, and the traffic risk sharing mechanism. Slovenia Control primarily quantifies risks in terms of their potential negative impacts on the cash flow, which, due to the risk-sharing mechanism laid down by Commission Implementing Regulation (EU) No 391/2013, are greater than the more long-term capital impacts of risks.



6.1 STRATEGIC RISKS

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

Regulatory risk – traffic risk sharing mechanism:

Slovenia Control's risk profile is influenced significantly by regulatory risk related to the provisions of Commission Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013, which lay down the methodology for establishing national cost bases, and thus unit rates, and the traffic risk sharing mechanism. This means that regardless of its actual costs, the Company is only eligible for cost recovery up to the amount of its determined costs, with consideration of the mechanism for sharing the risk of the actual traffic being lower than planned. Any differences between the planned and actual revenues are taken into account in the calculation of the charges over two years with consideration of the risk sharing and incentive mechanism (traffic risk sharing revenue or traffic risk sharing loss), with the air navigation service provider bearing the full consequences of any deviation of actual traffic from plan by up to +/- 2%; for deviations in the turnover between +/-2% and +/-10% the consequences are shared between the air navigation service provider and the users of services (airlines) in such way that the air navigation service provider bears 30% of the consequences, while 70% are passed on to the users of services in the form of an increased cost

base and unit rate in the year n+2. In the worst-case scenario, the air navigation service provider bears the risk of turnover fluctuations up to -4.4% per year, with a negative impact on revenues, operating result and liquidity situation.

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

Risks associated with national and international regulations:

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

Risks associated with international collaboration:

In order to ensure its successful operation and development, it is essential for Slovenia Control to collaborate with air navigation service providers in other countries and equally important for it to have an equal position in those partnerships. In this respect, the most important issue is the Company's operation within the framework of the functional airspace block, and wider by achieving the targets from the European regulations related to the Single



European Sky – SES, as the non-achievement of these goals by the Republic of Slovenia could result in financial sanctions imposed by the EU on the Republic of Slovenia, while the European legislation does not provide direct sanctions for the air navigation service provider.

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

Risks associated with strategic planning:

naložbe v potrebno, drago in v zahtevno tehnično Investments in the necessary – expensive and sophisticated – technical equipment and technology require long-term planning and international agreements and collaboration. In compliance with the European Single European Sky (SES) legislation, the Company as an air navigation service provider is obliged to prepare annual and five-year business plans that must reflect compliance with the applicable Performance Plan of the functional airspace block, of which the country is a member. In compliance with this law, the implementation plans cover five-year reference periods – the currently valid Performance Plan for FAB CE covers the second reference period (RP2) between 2015 and 2019. Among other things the Performance Plan includes the established expenses for air navigation services for each year of the reference period, and for each charging zone and planned investment, including those that are required to achieve the success targets, with a detailed description of their suitability in relation to the central ATM plan in Europe, the strategic network plan and common projects. In relation

to strategic planning, the Company is exposed to the risk of not planning all required investments in the implementation plan as following from binding regulations defining the requirements in relation to the further technological development in air navigation services; consequently it will not have the cost of such investments covered by the unit rate.

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

Risks associated with asset acquisition and ownership:

the adoption of amendments to the Aviation Act and the Act on the Provision of Air Navigation Services provided a regulatory basis for the transfer of the infrastructure owned by the state and used by the Company to the Company as a capital contribution, which was carried out in December 2013. The planned execution of a general agreement between the state and Slovenia Control will also regulate relationships in connection to the use of the land containing the facilities, systems and equipment that were transferred into the ownership of the Company through the capital contribution and are intended for the provision of air navigation services. This will enable Slovenia Control, as an air navigation service provider, to comprehensively plan, develop, acquire and maintain the necessary capacities for the provision of air navigation services, particularly for ensuring the safety and smooth flow of air traffic in the Slovenian airspace, in accordance with EU regulations.

The Company actively collaborates with the relevant ministry to conclude a general long-term agreement between the Company and the state



arranging the relationships in connection to the use of the land containing the facilities, systems and equipment intended for the provision of air navigation services.

Market and market structure:

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

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

In accordance with Slovenian and EU legislation, Slovenia Control must meet the prescribed requirements for air navigation service providers and maintain a licence (certificate) to provide air navigation services as a key condition for the performance of its principal activity. This is a markedly exogenous source of risks that are managed by the Company to the greatest extent possible by using a time-progressive, systematic methodology to monitor and ensure compliance with the requirements for the provision of air navigation services, proactively adapting to newly adopted requirements and providing conditions for the development of the competencies required to demonstrate compliance.

EU-wide performance targets:

Achieving the targets laid down by the state as binding targets in its performance plan, on the basis of which the Republic of Slovenia contributes to the achievement of the EU-wide targets and the targets

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

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

Quality management system requirements under international standards:

International standards of quality contribute to Slovenia Control's focus on quality, helping it to be a more economical and flexible organisation that is better equipped to pursue new opportunities in the increasingly competitive global market. If the Company does not implement quality management standards into its operations, it could lose satisfied customers and its competitive advantage in the market, which could result in a loss of operating revenue. In quality management, in 2016 Slovenia Control began to record the risks associated with individual areas in more detail as required by the new ISO 9001:2015 standard, and established the information protection system SIST ISO/IEC 27001 with security risk assessments. It prepared an IT risk register in 2016 and went on to identify and analyse possible measures for the limitation of consequences of the risk realisation or reduction of the probability of risk occurrence in other areas. The maintenance of the quality certificate in accordance with the ISO 9001 international standard is of key importance for the Company, as pursuant to European legislation (Commission Implementing Regulation No 1035/2011/EU)



the maintenance of the certificate validity is the condition for the Company to perform its activity. From the aspect of the Company, therefore, the key risk and greatest possible loss are related to the loss of the certificate required to provide air navigation services. The Company's steps to control the risk related to quality management are the regular monitoring and fulfilling of the requirements of the standard, employee training, regular internal audits, monitoring compliance through processes and documentation, annual external audits by the accreditation firm.

6.2 FINANCIAL RISKS

Slovenia Control is exposed to all financial risks in its operations to some degree:

Interest rate risk:

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

The impact of potential changes in variable interest rates is assessed in the financial report, section 3.2.25 – Financial instruments and financial risk management.

Raw material price risk:

Although Slovenia Control's sales prices are not directly dependent on the prices of raw materials or services, the Company is indirectly exposed to oil price risk. Changes in oil prices can bring about negative effects (lower sales) for the Company

in the event of a minor drop as well as a major increase:


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

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

Counterparty risk (credit risk):

Slovenia Control has two main sources of revenue, i.e. revenue from en-route charges (in the en-route phase) and revenue from terminal charges (in the approach and departure phases). Default risk arises in the terminal charge segment, as the Company's revenues from terminal charges are characterised by an extremely low degree of customer diversification, as more than half of the revenues from this source come from a single customer.

The Company controls this risk by participating in the common service charging and collection system through the Eurocontrol organisation (the service fees to airlines are charged by Eurocontrol and then transferred to the Company). The largest customer in the terminal service segment contributes a large share of the revenue, but revenue from terminal services makes up less than 10 per cent of the Company's total turnover. The Company monitors the performance/financial health of the main customer and adapts/prolongs



the payment conditions; in case of increased risk (such as a possible bankruptcy) the Company can hedge with its own capital reserve (in this case the required capital equals the expected loss from credit risk); it could also check the option of insurance by specialised insurance companies.

Liquidity risk:

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

Price risk:

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

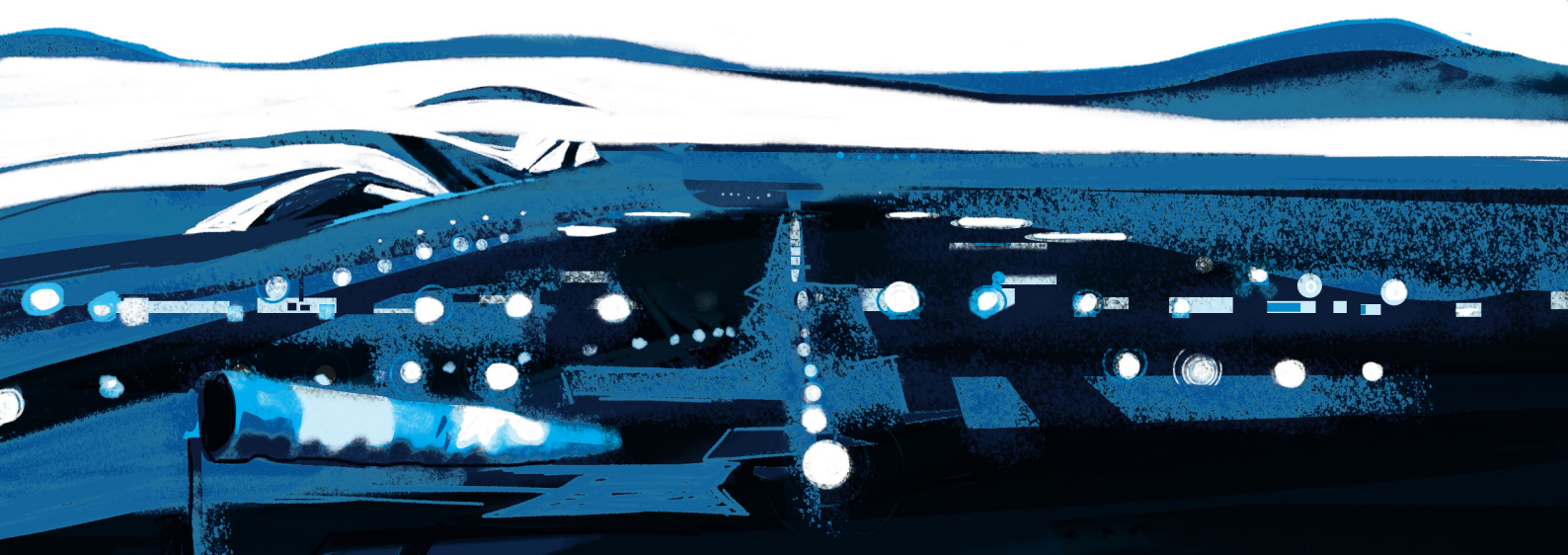
traffic risk sharing mechanism, price risk is low and manageable.

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

Concentration risk:

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

Although the largest customer in the terminal service segment contributes a large share of the revenue, this is less significant in terms of risk, as revenue from terminal services makes up less than 10 per cent of the Company's total turnover.





6.3 OPERATIONAL RISKS

Slovenia Control's main operational risks are as follows:

Risks associated with the occurrence and duration of security crises in the region and wider:

the global economic crisis, coupled with the security crisis in the Middle East and also in Ukraine, constitutes an exogenous factor that, given the duration and severity of the crises, significantly affects the volumes of air traffic around the world, fuel prices and the choice of tourist destinations. This has a direct impact on air traffic flows and the choice of air routes that can result in major fluctuations in the volume of services, particularly for smaller countries. All of that places the realisation of the Company's annual plan and its objectives at considerable risk. These are noticeably exogenous factors and the Company controls their controllable part by applying the most precise and realistic traffic predictions available for planning, especially statistical predictions of the Eurocontrol organisation and the Company database, regular monitoring of data on traffic levels and the dynamic adaptation of the capacity of airspace it manages.

Recession risk:

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

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

Risks associated with fluctuations in air traffic flows

and related factors (the opening of the Sarajevo ACC, unforeseeable air traffic restrictions in neighbouring countries): Slovenia Control manages these risks by monitoring air traffic levels on a weekly, monthly and quarterly basis, dynamically adjusting the airspace capacities within its domain and making operational adjustments to air traffic management and control, which, especially adjustments to the route network, have a delayed effect.

Airspace congestion risk:

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

Key employee risk:

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

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

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

- an adequate and timely planning of new investments into technical systems and equipment;
- established preventive maintenance and 24/7 monitoring of the operation of technical systems and equipment and through upgrades aimed at achieving an economically and operationally viable improvement in the reliability of the technical systems and equipment;
- continuous development (including the acquisition, maintenance and renewal) of the competencies of technical staff for the preventive and corrective maintenance and monitoring of technical systems and equipment for the performance of the Company's activity;
- limitation of negative impact by providing an appropriate redundancy for key components

of technical systems and equipment; this shortens the time of unavailability of the partial functionality, and in crucial cases the system redundancy (back up) eliminates the time delay due to the unavailability of air navigation service functionalities;

- limitation of the negative impact by providing an adequate reserve of key components of technical systems and equipment, thereby reducing repair times as well as the Company's dependency on the suppliers of systems and equipment (at least in the short term);
- the partial risk that arises from dependency on equipment suppliers, the complexity of systems and equipment and their integrated nature, which prevents a quick change of suppliers, is controlled through safety management by monitoring suppliers and external providers and adequate SLA (Service Level Agreements) defining the technical details on the suppliers' response in relation to the criticality of the parameter establishing risks related to the maintenance of technical systems and equipment;

An important risk in this group is the risk of failure of TEH1 and TEH2 which means a simultaneous failure of ATM systems in the mutually redundant rooms TEH 1 and TEH 2 including RDD1 and RDD2; in an extreme-case scenario this can paralyse the Company and due to the failure of mutually redundant systems cause a large loss of revenues over a longer period, as well as damage to the assets (equipment, systems). In addition to previously stated measures for managing risks related to technical systems and appliances, the following measures are important as well: fireproof barrier/wall between TEH1 and TEH2, power line layout following the TIER IV standard (highest redundancy rate), separate cooling systems, the duct under TEH1 and TEH2 protects the premises from floods, prepared and regularly updated supervision procedures in the technical control centre, SLA with electricity distributors and for uninterruptible power supply systems and auxiliary diesel generators, planned engagement (activity in progress) of another person to supervise the TIER IV system (rational use of internal resources),



adequate contingency procedures for air traffic controllers for taking action in such circumstances (such as guidance using battery-operated radio stations) and agreements with neighbouring air traffic service providers for acting in such situations.

Security risks associated with the large number of buildings (including off-site buildings):

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

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

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


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

Economically unreasonable demands for aerodrome control unit operating times:

Slovenia Control responds to such demands by maintaining an active dialogue with all stakeholders and finding suitable solutions for cost optimisation in the terminal service unit cost base.

Security management system requirements:

the processes of the safety management system must be in line with the regulations of the EU and the Republic of Slovenia, standards, requirements and recommendations of international civil aviation organisations (ICAO, CANSO) and the recommendations of organisations and associations operating in the field of air traffic safety management. International and national regulations, standards, requirements and recommendations and identified good practices



of security management help the Company to focus on the efficiency, formalities, transparency and cost-effectiveness of security management system processes, which contributes to the highest possible level of security of air navigation services. Achieving and ensuring compliance of the safety management system with the applicable requirements and regulations and continuously improving established processes is a key factor for the Company, as in accordance with European legislation (Commission Implementing Regulation 1035/2011/EU) it is a condition for maintaining the validity of the license (certificate) for its activity.

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

The risk of a customer being placed on the list of air carriers that are banned from operating within the EU (the air carrier blacklist):

The European Commission regularly updates the list of air carriers that are banned from operating within the EU due to their failure to ensure adequate passenger safety. According to the information from the European Commission, the list of air carriers that are banned from operating within the EU due to their failure to meet the relevant safety standards currently includes 115 air carriers.

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

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

- ensuring sufficient financing for investments in new systems and upgrading end-of-life technical assets on a regular basis and in a timely manner;
- ensuring that its technical assets are installed and maintained by highly qualified technical staff;



- regularly examining its processes to maintain its certificate of quality under ISO 9001:2015, which is one of the conditions for maintaining its certificate for the provision of air navigation services;
- undergoing routine and ad-hoc inspections by the Civil Aviation Agency of the Republic of Slovenia;
- annual independent audits of its operations by an audit firm selected by the Founder.

6.4 INFORMATION RISKS

Slovenia Control is exposed to information risks in relation to business data management, business information systems and internal business processes. Information and information technology (IT) systems provide significant support to the Company's operation and, due to the nature of the Company's activities, to the business processes of its partners. The need for a clear information security strategy has increased considerably in recent years. The use of security tools and the protection of individual parts of the organisation no longer suffice. In order to truly solve its information security issues, Slovenia Control requires a comprehensive security strategy.

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

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

Slovenia Control's primary goals continue to be the consolidation of IT architecture with the aim of reducing the number of solutions used and improving cost-efficiency. Special attention is also devoted to maintaining a security policy that

includes all the elements of information security: confidentiality, integrity, availability, authenticity, reliability, risk management and controls.


Information security standards form an integral part of the Company's information system and constitute a security factor at an organisational, physical and personal level. The main aim is to protect data and information systems against illegal access to or the use, disclosure or destruction of data regardless of their form by applying the abovementioned information security elements.

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

In May 2016, the Company carried out a risk assessment of its information system to evaluate the operational risks arising from the information support provided by business data processing and their impact on the Company's operations. The project uncovered certain information risks that were adequately managed and reduced in 2017 and 2018.

The project involved identifying the business processes and their associated activities. The applied methodology incorporates all the key concepts of risk assessment into the risk management framework (identification, assessment, response and monitoring) and effectively produces a risk register that contains all the necessary information to take risk management measures. As cyber attacks to critical infrastructure and aviation in general are on the rise, we devote special attention to this issue. Therefore, in addition to previously discovered risks, cyber risk is integrally considered and consequently measures for their reduction are in place.

New forms of information support for work processes will be continuously implemented throughout the Company, or existing processes will be upgraded. Processes will be controlled through appropriate organisation, the involvement of different specialist units, internal auditing,



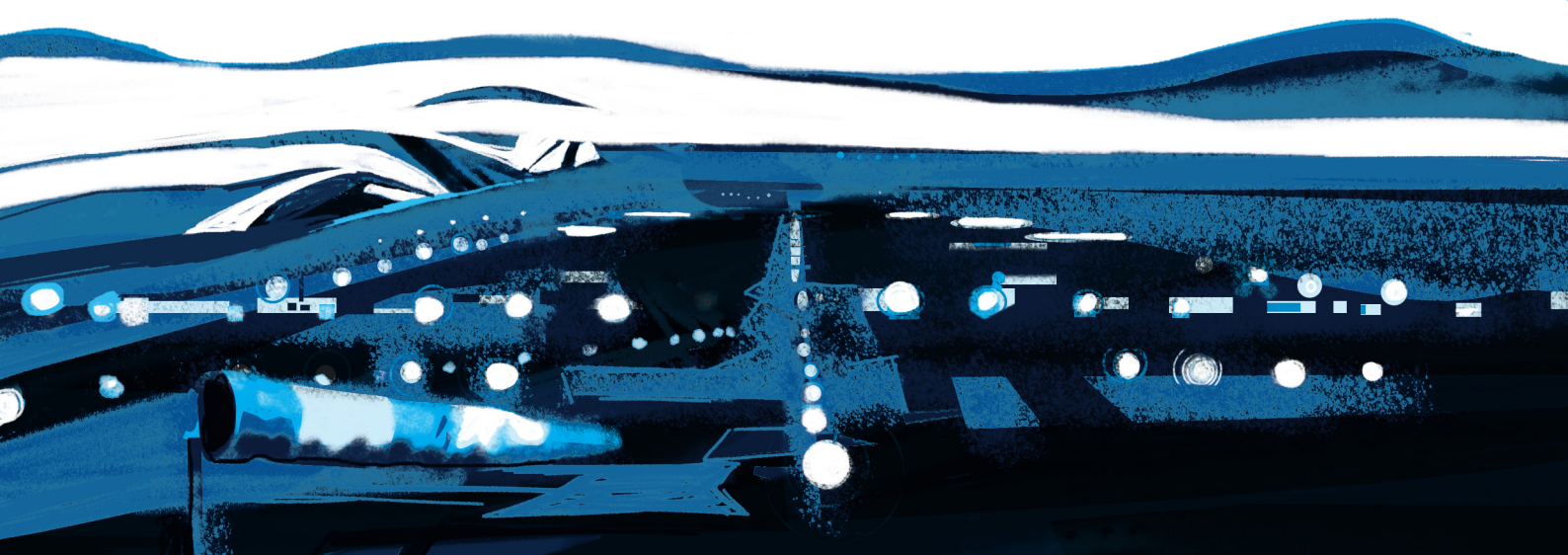
thorough testing and careful project management. Slovenia Control will ensure that its information systems operate smoothly in 2019 without any major interruptions that would noticeably affect the Company's operations. For this purpose, it will extend capacities of the disaster recovery centre.

In 2019, the Company will continue to implement intensive steps and changes in information systems required to comply with the Regulation (EU) No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (OJ L 119, 4/5/2016, p. 1) (hereinafter referred to as Regulation 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, 19/7/2016), Critical Infrastructure Act (Official Gazette of RS No. 75/17) and other binding legislation. To that end, Slovenia Control will reinforce its infrastructure by providing

software, hardware and security equipment with integrated hardware and software at remote sites as well. The Company will also continue to pursue its strategy of collaborating with various IT experts and suppliers in software development to ensure adequate capacities for critical development needs. Slovenia Control will continue to implement major projects with new business services with the help of IT experts, local IT suppliers and its own personnel to maintain the necessary expertise.

6.5 GOALS FOR 2019

In 2019, Slovenia Control will continue the activities of its risk management system as a systematic and continuous process comprising the identification, monitoring, measurement, assessment and control of the risks associated with the Company's operations, and reporting on risk management. The Company's goal is to establish risk management as a continuous process that takes place at all levels of decision-making.





7

SUSTAINABLE DEVELOPMENT

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

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

Code of Ethics

Slovenia Control is an important service company that ensures the safe and efficient flow of air traffic in the Republic of Slovenia. The provision of air navigation services, as the Company's principal activity, necessitates the continuous involvement and training of all employees to achieve the Company's objectives, strict adherence to high ethical standards, and an understanding of the shared values and mission of the Company. Slovenia Control has therefore developed a Code of Ethics that lays down the Company's core values, the relationships between the Company and its employees, and all the areas of responsibility – the Company's responsibility to

the Founder, the management's commitment to leading by example, the Company's responsibility to its employees, employees' responsibility to the Company, the Company's responsibility to the users of its services, partners and officials, the Company's responsibility to the wider community and the Company's responsibility to the public and the media. The Code also includes provisions on its implementation, the monitoring of its implementation and its further development.

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

- mutual trust and honest cooperation;
- the mutual knowledge that compliance with ethical and legal standards in business operations is in the common interest of the Company and employees;
- maintaining a workplace that attracts highly qualified personnel;
- ensuring equality, regardless of race, nationality, gender, sexual orientation, religion, disability or age;
- maintaining a workplace that is free of discrimination, harassment or repression;
- maintaining an open door policy that enables employees to approach the Company's management, and employees using that opportunity;
- creating a culture focused on efficiency for the benefit of the Company as well as employees with a competitive remuneration system and fair



and objective monthly evaluations that consider employees' individual contribution to the achievement of the objectives and the efficient operation of the Company as a whole; and

- employees maintaining proper behaviour and an appropriate personal appearance as a reflection of self-respect and respect towards co-workers and the Company and with a view to contributing to the positive image of the Company.

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

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

Responsibility towards employees

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

The Company pays special attention to employee know-how and strives to ensure professional training and qualifications to all employees. The encouragement of innovation in employees is of special importance for the Company, as with their own innovation, know-how and experience employees contribute to the results of the Company. The Company also displays its responsibility towards employees by providing safe working conditions, motivating, praising and recognition for successfully completed projects, as well as internal communication. Communication

has a positive connection with the satisfaction and productivity of employees; therefore, the Company communicates and exchanges information in person, as well as in the spirit of fast electronic communication through the intranet and internet. In the interest of the work-life balance, Slovenia Control enables employees to effectively perform their obligations at work and at home. Leading by example and respecting the Code of Ethics, Slovenia Control promotes respectful and responsible behaviour among all employees towards co-workers, customers and business partners. At the same time, the Company strives to maintain a work environment that attracts highly qualified personnel. It integrates all employees into the business process without discrimination, so that everyone in their field for which they are employed can co-create the Company's success.

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

Employee health and safety is one of Slovenia Control'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. Slovenia Control 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, Slovenia Control 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. Slovenia Control also promotes a healthy and active lifestyle among its employees through the Slovenia Control Sports Club. Nearly half of the Company's staff take part in the activities offered by the Sports Club, which further enhances its contribution to helping employees maintain a healthy and active lifestyle outside of work every year.

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

Environmental responsibility

With the ever-growing energy product prices, increasingly strict environmental requirements and constant legislative changes, energy efficiency and renewable energy sources have become concepts that are encountered by every individual on a daily basis. Issues concerning the rational use of energy and finding new ways to meet the organisational needs for energy have become part of our everyday lives, and it appears that the stable supply of energy will become one of the main development challenges of society as a whole.

In planning and executing its activity and business, the Company strives for the highest possible environmental responsibility, considering the

requirements of the relevant regulations and standards in this area. One of Slovenia Control's most important contributions to sustainable development is the new ATCC facility, which was constructed in compliance with regulatory environmental policies aimed at ensuring maximum energy efficiency and preventing environmental pollution. Slovenia Control is systematically reducing its impact on the environment and habitat by closely monitoring its energy consumption and the related costs. New purchases are always made in line with internationally recognised guidelines for energy efficiency and development in the area of energy and environment management. As obliged to public procurement law, Slovenia Control also follows the principles of socially responsible public procurement by including environmental and social aspects in the procurement process.

One of Slovenia Control's contributions to sustainable development is the return of the electricity generated in the mandatory regular monthly testing of DEA devices ensuring the uninterruptible power supply for the ATCC facility, into the network. With the uninterruptible power supply for systems, the Company uses modular energy too, and this allows to optimise the consumption of electricity (adaptation of modules' operation depending on the requirements). The Company contributes to the reduction of energy source consumption by investing into technologically advanced systems and devices. It also cooperates with the Institute for Non-Ionising Radiation to analyse the impact of its activity on the environment and people's health, especially for the radiation of radar systems. High level of awareness of the Company is also shown in the area of rational use of energy, as it is included in the tertiary frequency control system. With its mandatory secondary power supply systems, and operational systems for air traffic management and control it constitutes a virtual power plant that provides for the Slovenian electric power network the electricity production capacity of 640 kW, which is produced in accordance with the current (daily) needs of the Slovenian electric power network.

Due to the nature of its activities, Slovenia Control does not generate any hazardous waste, and



the Company will in no case produce more than 150 tonnes of waste or a total of more than 200 kilograms of hazardous waste in the calendar year, which would necessitate the drafting of a waste management plan. The Company reports to the Slovenian Environment Agency on waste generation and handling and keeps records in accordance with the Decree on waste (Official Gazette of the Republic of Slovenia Nos. 37/15 and 69/15).

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

Responsibility towards service users, partners and officials

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

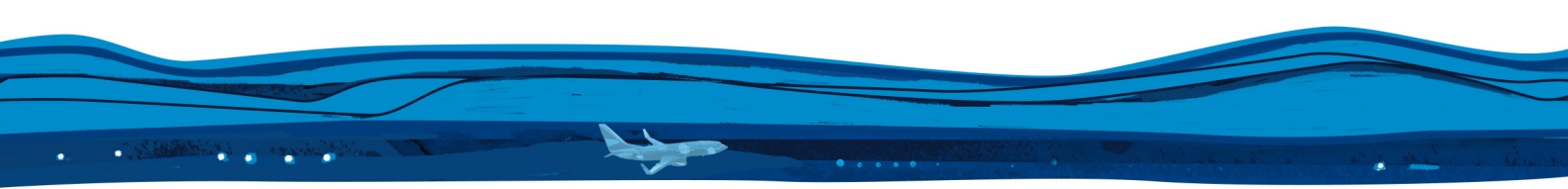
Fair work and proper cooperation with all business partners and officials is the primary conduct of the company. In preparing contracts and cooperating

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

The Company shows its responsibility towards the users of its services through all formal and informal forms of consultation with users as presented in section 3.12.

Responsibility towards the local community and the broader social environment

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



8

KEY PLANS FOR 2019 AND EXPECTATIONS FOR THE COMPANY'S DEVELOPMENT

Slovenia Control's key plans for 2019 are focused on the efficient performance of its principal activity of providing air navigation services in the Republic of Slovenia. Ensuring the high-quality, flexible and cost-efficient performance of its activity, the Company will focus on achieving its primary goal, i.e. ensuring a high level of traffic safety, while contributing to the reduction of the negative impact of its operations on the environment.

Air traffic safety management is essential for the activity of air traffic management and control and is the most important common thread of all business processes. In order to ensure the necessary level of air traffic safety, the Company will carry out its activities in line with the established safety management system (SMS) processes, which were developed on the basis of national and EU regulations and the standards and recommendations of international civil aviation organisations. The Company will work on the continuous enhancement of individual and organisational safety culture based on the implementation of the recommendations of the safety culture analyses conducted in 2014.

Slovenia Control will make its best efforts to carry out its activities to the extent necessary to meet air traffic demands, with as few restrictions and delays as possible, and thus ensure the achievement of the performance targets in the area of capacity in accordance with the 2015–2019 FAB CE Performance Plan, including the targets for the Republic of Slovenia as well as the EU-wide targets. The Company will meet the needs with

regard to the operating times of all international airports in the Republic of Slovenia as required by the traffic at those airports.

With consideration of the economic conditions and the anticipated growth of air traffic, Slovenia Control will also strive to achieve the performance targets in the key performance area of cost-efficiency in accordance with the 2015–2019 FAB CE Performance Plan by managing all of its operating costs. On 15 April 2016, the European Commission adopted Implementing Decision (EU) 2016/599 concerning the consistency of certain targets included in the revised national or functional airspace block plans submitted pursuant to Regulation No 549/2004/EC with the European-wide performance targets for the second reference period, which also pertains to FAB CE members.

Among the key tasks of Slovenia Control in 2019 will be the preparation of a Performance Plan for a new, third reference period 2020–2024 to monitor Europe-wide performance targets that will be binding on the Company and the Republic of Slovenia.

Slovenia Control will carry out all the planned activities and take all the necessary measures to achieve the goals planned for 2019, most notably:

- maintaining and further optimising and improving the technological infrastructure that enables the Company to achieve its operational goals in the areas of safety, capacity and operational efficiency;



- caring for employees' health, ensuring their professional development, and above all ensuring a sufficient number of adequately qualified operational personnel to meet the needs of the Company and the requirements of EU and national legislation;
- continuing the implementation of measures for the rationalisation of all operating costs according to the anticipated traffic levels and, as part of those measures, the optimisation of certain units (further centralisation of ARO units, optimal organisation of work and the requisite number of personnel in aerodrome control units) based on appropriate safety analyses with the aim of ensuring the cost-efficient organisation of air navigation services at all three airports included in the terminal cost base within the agreed operating hours of the airports;
- upgrading the system for the fulfilment of the common requirements for the provision of air navigation services, which lays down, in a systematic and comprehensively documented manner, the scope and methods of work and actions considered to ensure the Company's compliance with the common requirements for the provision of the air navigation services it provides;
- continuously internally monitoring compliance with the requirements of relevant European legislation and performing all the activities necessary to maintain its air navigation service provider certification; and with this mainly implementation of all preparations for the updated and completely overhauled legal framework of requirements for air navigation service providers and their certification and supervision;
- following the guidelines on the development of the European airspace through successful international collaboration, especially regional collaboration within the FAB CE, and maintaining active involvement as a member of FABCE, Aviation Services, Ltd;
- closely collaborating with other FABs under GATE ONE, with BLUE MED FAB, DANUBE FAB and FAB EC;
- collaborating in a technical capacity with the competent state authorities in preparing regulations relating to the Company's activity;
- arranging the relationships in connection to the use of the land containing the facilities, systems and equipment that were transferred into the ownership of the Company as a capital contribution and are intended for the provision of air navigation services.

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

In communications, the establishment of the function "Business Continuity" of the VCS communication system in ATCC is planned, and the breakdown of the project of establishing an own microwave link between the Company's communication sites, with the aim to increase the availability and cost efficiency of the communication network.

In control systems, the Company's (currently) most important project, i.e. the establishment of the multilateration system, the SLOWAM project, will be carried out, which will introduce a new control chain into the airspace of the Republic of Slovenia; this will significantly increase the scope of radar coverage. The introduction of multilateration system into operational operation is planned for the end of the first quarter of 2019. In the long-term, investments in new WAM technology would reduce the number of surveillance systems (retirement of at least one old radar) while simultaneously increasing the coverage of the airspace in north-eastern Slovenia. In the same field, in the third quarter the Company aims to transfer the connection of primary and secondary Watchman radar from Brnik Airport to the radar location of Oljska gora (Soteški hrib). It is a relocation planned due to the expansion project at Jože Pučnik Airport Ljubljana and at the same



time in order to improve the radar coverage of the central part of the Slovenian airspace.

In aviation information services, one of the Company's important tasks is the completion of the implementation of Commission Regulation 73/2010/EU. The aim of this objective is also the initiation of procedures in cooperation with Eurocontrol for the operational use of its own aeronautical data base (AIXM 5.1). All the aeronautical data that must be provided by the Company is currently stored in electronic form abroad, in the European AIS Data Base (EAD).

A further expansion of the AMHS system, especially at the local level, is planned. The Company plans to replace its old IAT terminals (Intelligent AFTN Terminal), which allow processing of AFTN traffic, with AMATIS terminals (AMHS Agent Terminal Interface System) intended for AMHS traffic processing, especially depending on the needs that arise in the ARO office. Further, the establishment of AMATIS UA workstations in the offices of the meteorological service in airports, which are the domain of ARSO. By establishing AMATIS UA workstations the Slovenian Environment Agency will be able to send messages with attachments through the AMHS system – these are especially meteorological data and pictures.

In 2019, the implementation of the purchase and implementation of a new application for the Internet submission of flight plans will also be realised. According to the plans, the project should be concluded by autumn 2019.

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

In the future the Air Traffic Services will also participate in the coordination and activities of the South-East Axis group, which will contribute to better air traffic flow and thus reduce air traffic delays in this part of Europe. The following activities will

be carried out in 2019 to ensure adequate sector capacities based on the planned traffic volumes:

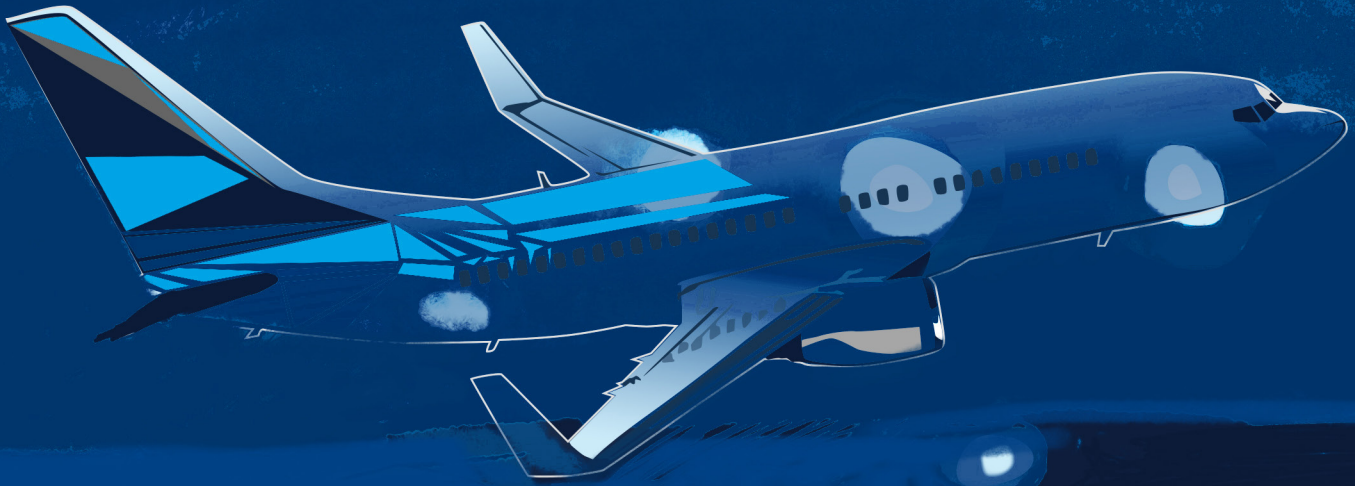
- opening the fifth sector as necessary and required by traffic and according to human resource availability;
- using sectorisation in a flexible manner to ensure the optimal planning of the use of sectors and human resources;
- completing the overhaul of the tower simulator at the Ljubljana ACC presumably in the first half of 2019.

Actual traffic will primarily be affected by the following factors in 2019: the state of the economy in Europe and the Republic of Slovenia, the price of oil in the global market, the capacities of area control centres in neighbouring countries, and potential extraordinary events (terrorist acts around the globe, volcanic eruptions, potential war zones, etc.). The seven-year forecast of traffic growth published by Eurocontrol (Eurocontrol Seven-Year Forecast) in February 2019 predicts 2.8% traffic growth in the number of IFR flights in Europe (ECAC) or 3.2% growth in EU-28 in 2019 as compared to 2018, while slightly higher growth of 5.6% is predicted for the Republic of Slovenia.

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

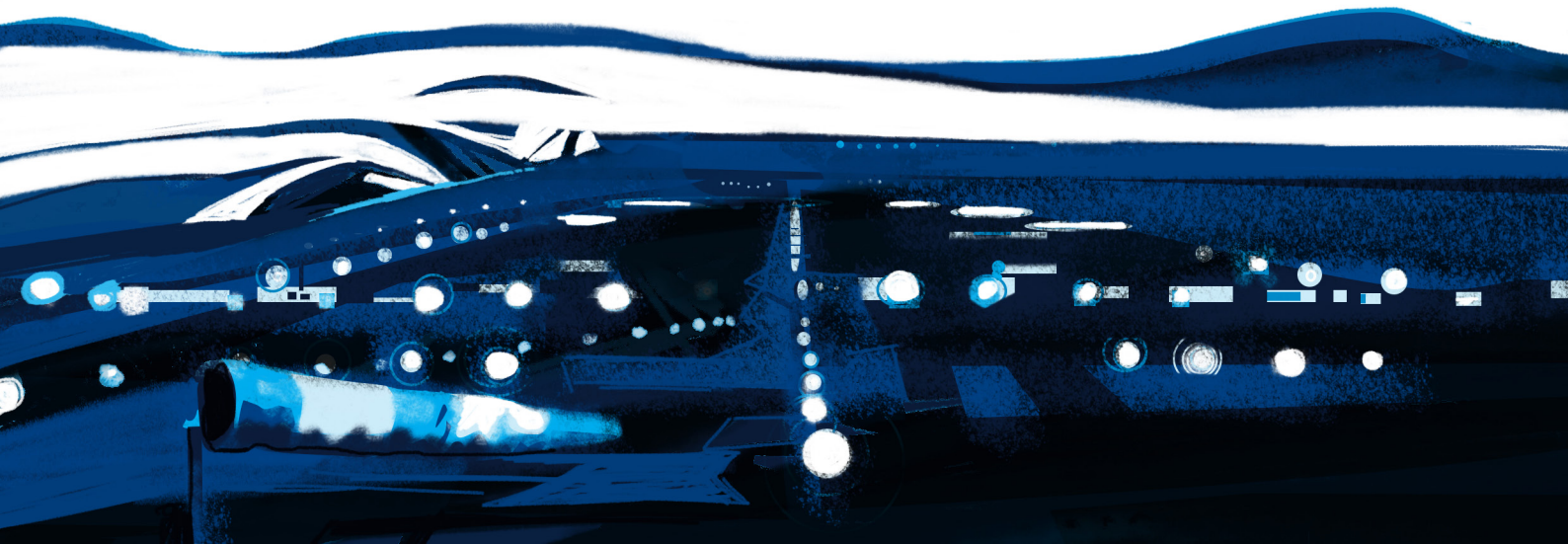
It will also continue the implementation of ADaaS2 project, although it did not acquire European financial funds. The implementation of the ADaaS2 project will be directed into the development of cluster infrastructure for the basic cluster of two data providers (ADSP) and two data users (ATSU). With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

FINANCIAL REPORT



1

INDEPENDENT AUDITOR'S REPORT





This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of SLOVENIA CONTROL, Slovenian Air Navigation Services, Limited ABC (the Company), which comprise the statement of financial position as at 31 December 2018, the income statement, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company SLOVENIA CONTROL, Slovenian Air Navigation Services, Limited as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

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

Other information

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

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

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

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

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

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

Responsibilities of management and supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements


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

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

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

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

Ljubljana, 29 March 2019



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

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



Lidija Sinkovec
Certified auditor

2

FINANCIAL STATEMENTS

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

2.1 STATEMENT OF FINANCIAL POSITION AS AT 31/12/2018

ASSETS	Notes	31/12/2018	31/12/2017
Non-current assets		26,238,509	27,975,169
I. Intangible assets and long-term deferred costs and accrued revenue		897,567	1,030,959
1. Long-term property rights	3.2.1.	783,509	864,329
2. Other non-current assets	3.2.2.	114,058	166,630
II. Property, plant and equipment	3.2.3.	25,057,676	26,683,005
1. Land and buildings		14,089,220	14,601,947
2. Manufacturing plant and equipment		9,580,723	11,779,978
3. Other devices and equipment		3,670	8,263
4. Property, plant and equipment being acquired		1,384,063	292,817
III. Investment property		0	0
IV. Non-current financial investments	3.2.4.	16,000	16,000
V. Non-current operating receivables		0	0
VI. Deferred tax assets	3.2.5.	267,266	245,205
Current assets		8,377,338	7,208,592
I. Inventories	3.2.6.	541,871	563,811
II. Current financial assets		0	0
III. Current operating receivables	3.2.7.	4,223,453	3,789,803
1. Current trade receivables		3,633,965	3,229,618
2. Current operating receivables due from others		589,488	560,185
IV. Cash assets	3.2.8.	3,612,014	2,854,978
TOTAL ASSETS		34,615,847	35,183,761

EQUITY AND LIABILITIES		Notes	31/12/2018	31/12/2017
Equity		3.2.9.	21,909,903	20,014,566
I.	Called-up capital		5,525,706	5,525,706
II.	Capital reserves		0	0
II.	Revenue reserves		14,128,878	12,526,394
1.	Statutory reserves		552,571	552,571
2.	Other revenue reserves		13,576,307	11,973,823
IV.	Reserves from valuation at fair value		319,626	334,330
V.	Retained net profit or loss		333,209	1,093
VI.	Net profit or loss for the business year		1,602,484	1,627,043
Provisions and long-term accrued costs and deferred revenues		3.2.10.	2,147,541	2,006,092
1.	Provisions for pensions and similar liabilities		2,147,541	2,006,092
2.	Long-term accrued costs and deferred revenues		0	0
Non-current liabilities			2,625,000	5,055,783
I.	Non-current financial liabilities	3.2.11.	2,625,000	5,055,783
II.	Non-current operating liabilities		0	0
III.	Deferred tax liabilities		0	0
Current liabilities			7,933,403	8,107,320
I.	Current financial liabilities	3.2.12.	2,430,783	2,673,131
II.	Current liabilities		5,502,620	5,434,189
1.	Current operating trade payables	3.2.13.	1,345,947	1,424,677
2.	Other current operating liabilities	3.2.14.	2,723,839	2,796,758
3.	Corporate income tax liabilities	3.2.15.	261,697	308,378
4.	Other current liabilities	3.2.16.	1,171,137	904,376
TOTAL EQUITY AND LIABILITIES			34,615,847	35,183,761

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

2.2 INCOME STATEMENT FOR THE PERIOD FROM 1/1 TO 31/12/2018

	Text	Notes	2018	2017
A	REVENUES FROM SALES FROM CONTRACTS	3.2.17.	39,522,550	37,984,123
1.	Revenues from sales from contracts in Slovenia		952,302	949,302
2.	Revenues from sales from contracts in the EU		38,568,798	37,033,541
3.	Revenues from sales from contracts abroad		1,450	1,280
B	OTHER OPERATING REVENUE	3.2.18.	500,465	917,445
C	OPERATING EXPENSES		35,899,849	34,918,236
1.	Cost of materials and services	3.2.19.	6,882,337	6,636,398
a)	Original cost of goods sold		0	0
b)	Costs of materials		431,135	441,552
c)	Costs of services		6,451,202	6,194,846
2.	Labour costs	3.2.20.	23,279,419	22,735,154
a)	Payroll costs		17,803,061	17,393,539
b)	Pension insurance costs		2,217,417	2,150,766
c)	Social security costs		2,118,042	2,073,751
d)	Other labour costs		1,140,899	1,117,098
3.	Write-downs	3.2. 21.	4,106,947	3,941,193
a)	Amortisation/depreciation		3,459,469	3,420,585
b)	Revaluation operating expenses associated with intangible assets and property, plant and equipment		48,051	1,408
c)	Net impairment of receivables		599,427	519,200
4.	Other operating expenses	3.2.22.	1,631,146	1,605,491
D	FINANCIAL REVENUES	3.2.23.	464	59
1.	Financial revenues from loans		9	8
2.	Financial revenues from operating receivables due from others		455	51
E	FINANCIAL EXPENSES	3.2.24.	112,900	137,487
1.	Financial expenses for financial liabilities		70,516	99,111
2.	Finance expenses for operating liabilities		42,384	38,376
F	TOTAL PROFIT		4,010,730	3,845,904
G	CORPORATE INCOME TAX	3.2.25.	827,823	617,592
H	DEFERRED TAXES		-22,061	-25,773
I	NET PROFIT OR LOSS FOR THE PERIOD		3,204,968	3,254,085

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

2.3 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR 2018

	Text	2018	2017
A	Net profit or loss for the period	3,204,968	3,254,085
B	Other comprehensive income for the year	0	0
B.1.	Other comprehensive income to be recognised in the income statement in the future	0	0
	Changes in property, plant and equipment revaluation reserves	0	0
	Changes in reserves due to valuation at fair value	0	0
	Gains and losses arising from translating the financial statements of a foreign operation (the effects of changes in foreign exchange rates)	0	0
B.2.	Other elements of comprehensive income	-14,704	50,707
B.2.1.	Restatement of post-employment benefits after tax	-14,704	50,707
	Total other net comprehensive income	-14,707	50,707
C	Total comprehensive income for the accounting period	3,190,264	3,304,792

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

2.4 STATEMENT OF DISTRIBUTABLE PROFIT FOR 2018

	Text	2018	2017
A	Net profit for the year	3,204,968	3,254,085
B	Retained net profit	333,209	1,093
C	Increase in revenue reserves	1,602,484	1,627,042
1.	Increase in other revenue reserves	1,602,484	1,627,042
D	DISTRIBUTABLE PROFIT	1,935,693	1,628,136

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

2.5 CASH FLOW STATEMENT FOR 2018

Text	2018	2017
A. Cash flows from operating activities		
a) Income statement items	7,359,906	7,063,904
Operating revenue (except for revaluation) and financial revenue from operating receivables	40,023,015	39,177,733
Operating expenses excluding depreciation or amortisation and revaluation, and finance expenses from operating liabilities	-31,835,286	-31,496,237
Income taxes and other taxes not included in operating expenses	-827,823	-617,592
Changes in net operating assets (and deferred and accrued items, provisions and deferred tax assets and liabilities) of operating items in the balance sheet	-570,772	-684,307
Opening less closing operating receivables	-671,974	-302,475
Opening less closing deferred expenses and accrued revenue	56,316	120,450
Opening less closing deferred tax assets	-22,061	-25,773
Opening less closing inventories	21,940	50,892
Closing less opening operating liabilities	-348,498	289,757
Closing less opening accrued costs and deferred revenue, and provisions	393,505	-817,158
c) Net cash from/used in operating activities (a + b)	6,789,134	6,379,597
B. Cash flows from financing activities		
a) Cash disbursements for financing activities	464	59
Receipts from interest and profit participations from investing activities	464	59
b) Cash disbursements for financing activities	-1,946,531	-1,655,122
Disbursements for the acquisition of intangible assets	-170,778	-521,501
Disbursements for the acquisition of items of property, plant and equipment	-1,775,753	-1,133,621
c) Net cash from/used in financing activities (a + b)	-1,946,067	-1,655,063
C. Cash flows from financing activities		
a) Receipts from financing activities	0	0
b) Disbursements for financing activities	-4,086,031	-3,310,618
Disbursement for interest related to financing activities	-112,900	-137,487
Disbursements for repayment of financial liabilities	-2,673,131	-2,673,131
Disbursements for the payment of dividends and other profit participations	-1,300,000	-500,000
c) Net cash from/used in financing activities (a + b)	-4,086,031	-3,310,618
D. Closing balance of cash	3,612,014	2,854,978
x) Net cash inflow or outflow for the period (sum of Ac, Bc and Cc)	757,036	1,413,916
y) Opening balance of cash	2,854,978	1,441,062

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

2.6 STATEMENT OF CHANGES IN EQUITY FOR 2018

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

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

2.7 STATEMENT OF CHANGES IN EQUITY FOR 2017

		Share capital	Statutory reserves	Other reserves	Reserves from valuation at fair value	Retained net profit	Net profit for the year	Total
A.1	Balance as at the end of the previous period	5,525,706	552,571	9,859,274	284,715	34,327	953,181	17,209,774
A.2	Opening balance for the period	5,525,706	552,571	9,859,274	284,715	34,327	953,181	17,209,774
B.1.	Other changes in equity	0	0	0	0	0	-500,000	-500,000
a)	Payment of dividends	0	0	0	0	0	-500,000	-500,000
b)	Additional paid-in capital	0	0	0	0	0	0	0
B.2	Total comprehensive income for the period	0	0	0	49,615	1,093	3,254,084	3,304,792
a)	Entry of net profit/loss for the business year	0	0	0	0	0	3,254,084	3,254,084
b)	Other components of the total comprehensive income for the reporting period	0	0	0	49,615	1,093	0	50,708
B.3	Changes in equity	0	0	2,114,549	0	-34,327	-2,080,222	0
a)	Allocation of part of the net profit from the previous period based on a resolution of the Management and Supervisory Boards	0	0	487,507	0	-34,327	-453,180	0
b)	Allocation of the net profit from the current period based on a resolution of the Management and Supervisory Boards	0	0	1,627,042	0	0	-1,627,042	0
C.	Closing balance for the period	5,525,706	552,571	11,973,823	334,330	1,093	1,627,043	20,014,566

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



3

ANNEX

TO THE FINANCIAL STATEMENTS

3.1 SUMMARY OF ACCOUNTING POLICIES AND ASSUMPTIONS

Statement of compliance

Pursuant to the provisions of the Companies Act and the resolution of the Management Board of the Slovenian Compensation Company (Slovenska odškodninska družba, d.d.), acting on behalf of the founder and sole member, the Republic of Slovenia, since 1 January 2013, 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 CEO approved the financial statements on 15 March 2019.

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

Basis of accounting

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

Functional and presentation currency

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

Basis of reporting

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

Fair value

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

The fair value measurement of a non-financial asset must take into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Company uses valuation techniques that are appropriate in the given circumstances and for which there is sufficient data available, maximising the use of appropriate market inputs and relying as little as possible on non-market inputs.

All assets and liabilities that are measured or disclosed in the financial statements at fair value are categorised according to the fair value hierarchy based on the lowest level of inputs required to measure the total fair value:

Level 1 – quoted prices (unadjusted) in active markets for similar assets and liabilities,

Level 2 – valuation model based directly or indirectly on market data,

Level 3 – valuation model not based on market data.

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

Accounting policies applied

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

A) Amendments to accounting policies and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the previous business year. An exception is the newly adopted or amended standards and notes that the Company adopted for the annual periods starting on 1 January 2018 and are presented below.

- **RS 9 Financial instruments Classification and measuring**

The final version of IFRS 9 Financial Instruments includes requirements of all individual phases of the revision of IFRS 9 and supersedes IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements regarding the classification and measurement, impairment and hedge accounting.

Slovenia Control started to use the provisions of IFRS 9 on 1 January 2018, therefore it did not calculate comparative data and report them under IAS 39. The management assessed the impact of this standard and believes it does not significantly affect the classification and measurement of the Company's financial assets or the classification and measurement of its financial liabilities.

Investments into capital of unlisted companies which according to IFRS 9 were classified into the group financial assets available for sale (AFS) were as at 1 January 2018 measured and classified into the group equity instruments according to fair value through comprehensive income.

Operating receivables are classified into the item of receivables and are in the Company's possession for the purpose of acquisition of contractual cash flows and include solely payments of principal and interest. As from 1 January 2018, these items are measured and classified into the group debt instruments at amortised cost.

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

On 1 January 2018, after adopting IFRS 9 the Company did not recognise additional impairment of operating receivables.

- **IFRS 15 Revenue from contracts with customers**

The IFRS 15 defines a five-step model to be observed by the Company when recognising revenue from contracts with customers (with limited exceptions), regardless of the transaction type bringing revenue, or the branch of industry.

The requirements of these standards also apply to the recognition and measurement of profit and loss when selling some non-financial assets, that do not arise from the Company's regular operation (such as selling property, plant or equipment, or intangible assets). The standard requires the Company to provide extensive disclosures, including the breakdown of the total amount of revenue; information about liabilities related to the sale of assets or implementation of services; changes in the amount of assets and liabilities between periods, and key management assessments and estimates. The management assessed the impact of this standard on the Company's financial statements, and believes the implementation of the standard does not affect the Company's financial statements. When introducing the standard the Company used a simplified approach, therefore the comparative data for 2017 have not been calculated.

When adopting IFRS 15, the Company decided to use a customised approach with the date of application on 1 January 2018. Under this method, the Company can apply the standard for all contracts that exist on the date of the first use of the standard or only for those that have not been completed on that day. The Company decided to apply the provisions of the standard as of 1 January 2018 to account for all contracts.

The management performed an analysis of contracts concluded with customers from the point of presence of major enforcement obligations and the introduction of the new IFRS 15 as of 1 January 2018 did not have any effect on the Company's equity. According to the nature of its operations and the type of the Company's revenue the application of the new standard did not change the time of recognition and measurement of revenues.

- **IFRS 15: Revenue from contracts with customers (interpretations)**

The purpose of these interpretations is to explain what the IASB wished to achieve when adopting the requirements of IFRS 15 *Revenue from contracts with customers*, especially from the aspect of the accounting for the obligations

defined in the contracts with customers, amendments to the text of the principle of "separate definition", consideration of the principal in contrast to the agent, including the assessment whether the Company acts as a principal or as an agent, and the application of the principle of control and licensing, and additional guidelines for the accounting for intellectual property and licence fees. The interpretations also introduce additional practical benefits for companies that either apply the IFRS 15 in full for transitional periods, or those that decide to apply the adapted approach. The management assessed the impact of the interpretations of this standard on the Company's financial statements, and believes they do not significantly affect the Company's financial statements.

- **IFRS 2: Classification and Measurement of Share-based Payment Transactions (amendments)**

The amendments introduce requirements regarding the calculation of the effects of vesting and non-guaranteed conditions in the measurement of cash settlement of share-based payment transactions, for payment transactions in shares with a net settlement of the tax liability after deduction and for changes in the terms of payment transactions in shares, which results in a reclassification of the cash settlement to equity settlement. The management assessed that the amendments have no effect on the financial statements of the Company.

- **IFRS 4: Applying IFRS 9 Financial Instruments in relation to IFRS 4 Insurance Contracts (amendments)**

The amendments address concerns about issues arising from implementing the new IFRS 9 Financial Instruments before the new insurance contracts standard, which is being prepared, comes into effect. The new standard will supersede IFRS 4. The amendments introduce two options for accounting insurance contracts: the temporary exemption from the application of the IFRS 9 and the use of an overlap approach that allows insurance companies that issue contracts falling within the

scope of IFRS 4 to reclassify certain revenue or expenses arising from certain financial assets, from the profit and loss account to other comprehensive income. The management assessed that the amendments have no effect on the financial statements of the Company.

- **IAS 40: Transfers of Investment Property (amendments)**

These amendments clarify when a real estate company must transfer a property, including those under construction or development, into or out of investment property. The amendments clarify that a change in use occurs when the property fulfils or ceases to fulfil the definition of investment property and there is evidence of change in its use. A change in the intention of the Company's management in relation to the use of a property does not in itself constitute a change in use. The management assessed that the amendments have no effect on the financial statements of the Company.

- **Explanation of IFRIC 22: Foreign Currency Transactions and Advance Consideration**

The interpretation introduces the explanation of transaction calculation which include a receipt or advance payment confirmation in a foreign currency. The interpretation covers those foreign currency transactions where an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. In the interpretation it is stated that for determining the exchange rate the companies must take into account the date of initial recognition of the non-monetary prepayment asset or deferred income liability. In case of

a higher number of payment or receipts in advance, the entity must set a date for each payment or receipt in advance. The management assessed the impact of the interpretations of this standard on the Company's financial statements, and believes they do not significantly affect the Company's financial statements.

- The International Accounting Standards Board (IASB) **has published a series of annual improvements to IFRS for the period 2014-2016**, which is a collection of amendments to the IFRSs. The management assessed the impact of the amendments on the Company's financial statements, and believes they will not have any significant effect the Company's financial statements at all.

- **IFRS 1 First-Time Adoption of International Financial Reporting Standards**

This amendment eliminates the short-term exceptions for disclosures related to financial instruments, employee benefits and investment entities that otherwise apply to the first use of IFRS.

- **IAS 28: Financial Investments in Associates and Joint Ventures**

The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

- **IFRS 16: Leases**

IFRS 16 is effective for annual periods starting on or after 1 January 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of a lease for both contracting parties: the lessee and the lessor. The new standard requires from the lessee to recognise the majority of lease contracts in its financial statements. With a few exceptions the lessees will be able to use a single accounting model for all lease contracts. There are no significant changes in the calculation of leases by the lessor. The management assessed the impact of this standard on the Company's financial statements, and believes it will not significantly affect the Company's financial statements.

The Company assesses that the acquisition cost of assets being leased is EUR 333,562, namely three real estate units in the total value of EUR 143,206 and six cars, the total acquisition cost of which is EUR 190,356. Altogether this represents a good percentage of non-current assets. In addition to the increase in the value of non-current assets and liabilities, the standard will also influence some economic performance indicators but the Company assesses that it will not be significant.

- **IFRS 17: Insurance contracts**

The standard is effective for annual periods beginning on or after 1 January 2021, where early use is permitted under condition that the company also reports according to IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. At the same time the standard requires the use of similar principles for reinsurance contracts and investment contracts with possible discretionary participation. The purpose of the standard is to ensure that the company includes in the presentation relevant

information in such a way as to faithfully reflect these contracts. These data serve the users of financial statements for the assessment of the effect of contracts belonging to the IFRS 17, on financial position, financial performance and cash flows of the company. The management assessed the impact of the standards on the Company's financial statements, and believes they will not affect the Company's financial statements at all.

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

The amendments address a well-known discrepancy between the requirements of IFRS 10 and those of IAS 28 in treating sales or contribution of assets between the investor and its associate or joint venture. The main result of the amendments is that the company must recognise the total amount of profit or loss in the case the transaction includes operations (regardless of occurring in a subsidiary or not). In the case of transactions with assets, which the company does not use in operations, the company recognises only part of profit or loss even in the case that the assets are in a subsidiary. In December 2015, the International Accounting Standards Board postponed the date of entry into force of the standard for an indefinite period, awaiting the findings of a research project of calculating assets using the equity method. The EU has not yet approved the amendments to the standard. The management believes that the amendments will not have any impact on its financial statements.

- **IFRS 9: Prepayment Features with Negative Compensation (amendment)**

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. These amendments allow the company to measure the financial assets with characteristics of advances that allow the contracting party to receive or demand the payment of a reasonable compensation for an early termination of the

contract (from the aspect of the holder of the financial asset this is a “negative compensation”) using the amortised cost or fair value through the other comprehensive income. The management assessed the impact of the amendments on the Company’s financial statements, and believes they will not significantly affect the Company’s financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures**

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. These amendments discuss the question of whether the measurement of long-term investments (especially from the aspect of demands to impair long-term investments into associates and joint ventures, which are content-wise part of a “clean investment” into the associate or joint venture) belongs into the framework of IFRS 9, IAS 28 or a combination of both. These amendments explain that a company must, after recognising long-term interests that are not measured using the equity method, apply the provisions of IFRS 9 Financial Instruments, before starting to apply IAS 28. When applying IFRS 9, the company does not take into account any adjustments to the carrying amount of long-term interests that otherwise arise from IAS 28. The European Union has not yet approved the amendments to the standard. The management assessed the impact of the amendments on the Company’s financial statements, and believes they will not affect the Company’s financial statements at all.

- **Explanation of IFRIC 23: Uncertainty over Income Tax Treatments**

The interpretations are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The interpretation discusses uncertainty over income tax treatments which has an effect on

the use of IAS 12. The interpretation introduces guidelines for: the calculation of uncertain taxations separately or jointly; inspection by tax authorities; the use of appropriate methods that reflect these uncertainties and considering changes in facts and circumstances. The management assessed the impact of the interpretations on the Company’s financial statements, and believes they will not significantly affect the Company’s financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments require from the companies to determine the cost of employees’ earnings and net amount of interest in the remaining part of the annual reporting period after the occurrence of a plan amendment, curtailment or settlement on the basis of updated actuarial assumptions. At the same time the amendments explain the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The European Union has not yet approved amendments to the standard. The management assessed the impact of the amendments on the Company’s financial statements, and believes they will not significantly affect the Company’s financial statements.

- **Conceptual framework for IFRS**

On 29 March 2018, the International Accounting Standards Board (IASB) published the revised Conceptual Framework for Financial Reporting. The basic framework determines the whole series of concepts for financial reporting, setting standards, instructions for preparation of consistent accounting policies and for easier understanding and interpretation of standards. The IASB also published a separate accompanying document “Amendments to

References to the Conceptual Framework in IFRS Standards”, which presents amendments to relevant standards and serves to update references to the renewed Conceptual Framework. The aim of the Board is to offer support in the transition to the renewed Conceptual Framework to companies which adopt their accounting policies on the basis of instructions of the Conceptual Framework in the case when some transactions are not considered by any IFRS. For persons preparing material who adopt their accounting policies on the basis of the Conceptual Framework, the renewed one is valid for annual periods which start on or after 1 January 2020.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted. The amendments explain the definition of the term “material” and the manner of its use. According to new definition “Information is material if omitting, misstating or obscuring it could reasonably

be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity”. In addition, the Board also clarified the explanations accompanying the definition. At the same time the amendments ensure that the definition of the term “material” is aligned with all IFRS. The European Union has not yet approved amendments to the standard. The management assessed the impact of the amendments on the Company’s financial statements, and believes they will not significantly affect the Company’s financial statements.

- The International Accounting Standards Board (IASB) **has published a series of annual improvements to IFRS for the period 2015–2017**, which is a collection of amendments to the standards. The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The European Union has not yet approved amendments to the standard. The management assessed the impact of the amendments on the Company’s financial statements, and believes they will not significantly affect the Company’s financial statements.

– **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**

The amendments to IFRS 3 explain that when the company obtains control of a business which is a joint venture, it has to remeasure any previously held interest in this business. The amendments to IFRS 11 explain that the company which obtains joint control of a venture which is a joint operation does not have to remeasure previously held interests in this operation.

– **IAS 12 Income tax**

The amendments to the standard explain that the company has to recognise the current tax consequences of financial instrument payments which are categorised as equity under the same item as past transactions or events that generated distributable profits.

– **IAS 23 Borrowing Costs**

The amendments to the accounting standard explain Article 14 of the standard which says that at the moment when an asset meets the conditions for its intended use or sale and a part of a loan referring to this asset is not settled, the company has to include this loan among assets of received loans.

Use of estimates and judgements

The management's estimate includes, inter alia, the determination of the useful life and residual value of property, plant and equipment and intangible fixed assets, allowances for inventories and receivables, the assumptions relevant for actuarial calculations in respect of certain employee benefits and the assumptions included in the calculation of provisions for claims, as well as the assumptions

and estimates for goodwill impairment. Although the management carefully considers all the factors that may affect its estimate in the preparation of its assumptions, it is possible that the actual effects of trade events differ from the estimates. Appropriate judgement must therefore be exercised in accounting estimates, and any changes in the business environment, new business events, additional information and experience must be taken into consideration.

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

Measuring obligations for defined benefits (Interpretation 3.2.10)

Defined benefit obligations constitute the present value of post-employment benefits and jubilee benefits. They are recognised on the basis of an actuarial calculation approved by the management. The actuarial calculation is based on the assumptions and estimates applicable at the time of the calculation, which may differ from the actual assumptions applicable in the future due to future changes. This mainly applies to the determination of the discount rate, the employee fluctuation estimate, the mortality estimate and the salary growth estimate. Obligations for certain benefits are sensitive to changes in the estimates due to the complexity of the actuarial calculation and the long-term nature of the items.

*Provisions for lawsuits and contingent liabilities
(Interpretation 3.2.10)*

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

Deferred taxes (Interpretation 3.2.5)

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

Deferred tax assets and liabilities are set off if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax liabilities relate to the same taxable entity and the same tax authority. Assessments and estimated related to IFRS 15 and IFRS 9 are disclosed in section 3.1.A.

Key assessments

The Company's financial statements for the previous and the current period were prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS); therefore, in view of the specific nature of the Company's business, careful consideration was given to Interpretation 12 – Service Concession Arrangements (hereinafter referred to as "IFRIC 12"), which was adopted by the International Financial Reporting Interpretations Committee (IFRIC) and forms an integral part of Commission Regulation (EC) No 254/2009 of 25 March 2009 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards the International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 12 (OJ L 80, 26/3/2009, p. 5; hereinafter referred to as "Commission Regulation (EC) No 254/2009").

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

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

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

Foreign currencies

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

Property, plant and equipment

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

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

Borrowing costs

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

Future costs

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

Amortisation

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

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

for building facilities	from 5,0 % to 2,5 %
for systems and devices	from 14,3 % to 6,7 %
for software	from 33,3 % to 12,5 %
for radar systems	6,7 %
for computers and computer equipment	from 33,3 % to 10,0 %
for cars	from 25,0 % to 10,0 %
for other equipment	from 25,0 % to 10,0 %

Intangible assets

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

Future costs

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

Amortisation/depreciation

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

Inventories

Inventories are measured at original cost in the statement of financial position. They are measured at the lower of cost and net realisable value. The cost of inventories comprises all the costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The Company uses the inventory impairment method, recognising impairments for inventories that have not moved for more than one year at 5%

of their cost at the end of each accounting period. The costs of purchase comprise the purchase price, import duties, and transport, handling and other costs directly attributable to the acquisition of an item of inventories. The net realisable value is the estimated selling price in the ordinary course of business less costs to sell.

Impairment of assets

Financial instruments

Initial recognition and measurement

After the initial recognition the company classifies financial assets into the group of assets at fair value through other comprehensive income and at fair value through profit or loss. Upon initial recognition the classification of financial assets depends on the characteristics of contractual cash flow of financial asset and on the business model of the company for its management. Except for the operating receivables, which do not include a significant element of financing or for which the company uses a practical solution, upon initial recognition the company measures a financial asset at fair value which is (in the case of financial asset not recognised at fair value through profit and loss) increased by costs of transaction. The operating receivables, which do not include a significant element of financing or for which the company uses a practical solution, are measured at the transaction price, which is determined according to the provision of IFRS 15. In order to be classified and measured at amortised cost or fair value through the other comprehensive income financial asset has to generate cash flows that include "solely payments of principal and interest (SPPI)" on the principal amount outstanding. The company has to implement the so-called SPPI test for each individual financial instrument.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);

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

Financial assets at amortised cost (debt instruments);

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

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

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

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

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

Cash and cash equivalents

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

Financial liabilities

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

Loans received and granted

This group is the most important item of financial instruments of the Company. After initial recognition, loans granted and received are measured at amortised cost using the effective interest rate method. Upon derecognition of a financial liability, all profits and losses are recognised in the income statement and under the amortisation of

the effective interest rate. The amortised cost is accounted for taking into account any discounts or premiums at the time of purchase, as well as fees or charges that form an integral part of the effective interest rate. Amortisation of the effective interest rate is recognised in the income statement under the cost of financing.

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

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

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

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

Operating liabilities

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

Derecognition

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

a financial liability is recognised in the income statement.

Non-financial assets

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

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

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs to sell. In determining the value in use, projected cash flows are discounted to the present value at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped into cash-generating units, i.e. the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

Short-term employee benefits

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

Long-term employee benefits

Provisions for post-employment benefits and jubilee benefits

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

Provisions are made in the amount of the estimated future payments for post-employment benefits and jubilee benefits discounted on the reporting date for employees in countries where the law requires the payment of post-employment benefits and jubilee benefits. The calculation is based on the costs of post-employment benefits and the costs of all expected jubilee benefits until retirement. It is made using the projected unit credit method. Labour costs and interest costs are recognised in the income statement, while the restatement of post-employment benefits and unrealised actuarial gains or losses is disclosed in other comprehensive income, and for jubilee benefits, also in the income statement. The assumptions are clarified in section 3.2.10.

Provisions

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

Revenues from sales of services performed

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

Amounts in contracts

Contract assets

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

Operating receivables

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

Contract liabilities

Liabilities from contracts represent the obligation to transfer services to the buyer in exchange for the compensation received by the Company from the buyer (or the buyer is obliged to settle it). If the buyer settles the compensation before the transfer of services to the buyer, the obligation from the contract is recognised on the settlement day or on the due date (whichever occurs first). Liabilities from a contract are recognised as revenue when the buyer and the company fulfil their enforcement obligations under the contract.

Government grants

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

Financial revenue and financial expenses

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

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

Income tax

The income tax for the period comprises current and deferred tax. Income tax is disclosed in the income statement, except to the extent that it relates to items recognised directly in comprehensive income. Current tax is the tax payable on the taxable income for the year using tax rates enacted at the reporting date and any adjustment to tax payable in respect of previous years. The tax rate applied for 2018 is 19% (2017: 19%).

Deferred tax receivables

Deferred tax assets are recognised at the amount of the probable future taxable profit against which a deferred asset can be utilised in the future. Deferred tax assets are reduced by the amount for

which it is no longer probable that it can be claimed as tax relief.

Deferred tax is recognised using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences associated with the investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is also not recognised for taxable temporary differences on the initial recognition of goodwill. The deferred tax amount is determined on the basis of the expected method of recovery or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date. Deferred tax assets and liabilities are set off if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax liabilities relate to the same taxable entity and the same tax authority. For 2018, the Company applied the tax rate of 19%, the same as in 2017.

3.2 NOTES TO THE FINANCIAL STATEMENTS

Unless indicated otherwise, all notes refer to the 2018 financial year. Monetary values in the tables are presented in EUR, rounded to the nearest whole euro.

3.2.1 Long-term property rights

2018

Original cost

Content	01/01/2018	Purchase	Disposal	31/12/2018
Long-term property rights	1,645,844	170,778	0	1,816,622
TOTAL	1,645,844	170,778	0	1,816,622

Value adjustment

Content	01/01/2018	Depreciation and amortisation	Disposal	31/12/2018
Long-term property rights	781,515	251,598	0	1,033,113
TOTAL	781,515	251,598	0	1,033,113

Value

Table of contents	01/01/2018	Increase	Decrease	31/12/2018
Long-term property rights	864,329	170,778	251,598	783,509
TOTAL	864,329	170,778	251,598	783,509

2017

Original cost

Content	01/01/2017	Purchase	Disposal	31/12/2017
Long-term property rights	1,128,033	521,501	3,690	1,645,844
TOTAL	1,128,033	521,501	3,690	1,645,844

Value adjustment

Content	01/01/2017	Depreciation and amortisation	Disposal	31/12/2017
Long-term property rights	618,613	166,282	3,380	781,515
TOTAL	618,613	166,282	3,380	781,515

Value

Table of contents	01/01/2017	Increase	Decrease	31/12/2017
Long-term property rights	509,420	521,501	166,592	864,329
TOTAL	509,420	521,501	166,592	864,329

3.2.2 Other non-current assets

Content	Balance as at 01/01/2018	Increase	Decrease	Balance as at 31/12/2018
Long-term accrued costs and deferred revenue	166,630	3,744	56,316	114,058
TOTAL	166,630	3,744	56,316	114,058

3.2.3 Property, plant and equipment

2018

Original cost

Content	01/01/2018	Increase	Decrease	31/12/2018
Land	221,680	0	0	221,680
Buildings	16,773,322	0	0	16,773,322
Buildings – contribution in kind 2013	61,838	0	0	61,838
Manufacturing plant and equipment	30,571,490	547,210	267,051	30,851,649
Manufacturing plant and equipment – contribution in kind 2007	28,684	0	875	27,809
Manufacturing plant and equipment – contribution in kind 2013	3,302,029	0	421,613	2,880,416
Manufacturing plant and equipment under construction	292,816	1,226,256	135,009	1,384,063
Small inventory	77,690	2,287	1,925	78,052
TOTAL	51,329,549	1,775,753	826,473	52,278,829

Value adjustment

Content	01/01/2018	Accrued depreciation	Decrease	31/12/2018
Land	0	0	0	0
Buildings	2,431,525	510,714	0	2,942,239
Buildings – contribution in kind 2013	23,369	2,013	0	25,382
Manufacturing plant and equipment	18,791,511	2,689,218	209,805	21,270,924
Manufacturing plant and equipment – contribution in kind 2007	28,684	0	875	27,809
Manufacturing plant and equipment – contribution in kind 2013	3,302,029	0	421,613	2,880,416
Manufacturing plant and equipment under construction	0	0	0	0
Small inventory	69,426	6,737	1,780	74,383
TOTAL	24,646,544	3,208,682	634,073	27,221,153

Value

Table of contents	01/01/2018	Increase	Decrease	31/12/2018
Land	221,680	0	0	221,680
Buildings	14,341,797	0	510,714	13,831,083
Buildings – contribution in kind 2013	38,469	0	2,013	36,456
Manufacturing plant and equipment	11,779,979	757,015	2,956,269	9,580,725
Manufacturing plant and equipment – contribution in kind 2007	0	0	0	0
Manufacturing plant and equipment – contribution in kind 2013	0	0	0	0
Manufacturing plant and equipment under construction	292,816	1,226,256	135,009	1,384,063
Small inventory	8,264	4,067	8,662	3,669
TOTAL	26,683,005	1,987,338	3,612,667	25,057,676

The most important acquisitions in 2018 are the continuation of investments already undertaken: the Datalink project in the amount of EUR 294 thousand and the SLOWAM project (new system independent from the radar control system WAM) in the amount of EUR 626 thousand. Both projects will be concluded in 2019.

As at 31 December 2018 there were no obligations to purchase fixed assets.

The share of fully depreciated tangible fixed assets (manufacturing plant and equipment) amounts to 22.21% in comparison to the original cost of the assets in use.

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

2017

Original cost

Content	01/01/2017	Increase	Decrease	31/12/2017
Land	221,680	0	0	221,680
Buildings	16,773,322	0	0	16,773,322
Buildings – contribution in kind 2013	62,894	0	1,056	61,838
Manufacturing plant and equipment	29,736,822	1,086,908	252,240	30,571,490
Manufacturing plant and equipment – contribution in kind 2007	28,765	0	81	28,684
Manufacturing plant and equipment – contribution in kind 2013	3,303,278	25	1,274	3,302,029
Manufacturing plant and equipment under construction	251,185	1,187,370	1,145,739	292,816
Small inventory	77,441	3,994	3,745	77,690
TOTAL	50,455,387	2,278,297	1,404,135	51,329,549

Value adjustment

Content	01/01/2017	Accrued depreciation	Decrease	31/12/2017
Land	0	0	0	0
Buildings	1,920,811	510,714	0	2,431,525
Buildings – contribution in kind 2013	21,705	2,048	384	23,369
Manufacturing plant and equipment	16,198,815	2,733,939	140,609	18,792,145
Manufacturing plant and equipment – contribution in kind 2007	28,765	0	81	28,684
Manufacturing plant and equipment – contribution in kind 2013	3,303,278	0	1,274	3,302,004
Manufacturing plant and equipment under construction	0	0	0	0
Small inventory	65,964	7,602	3,685	69,881
TOTAL	21,539,338	3,254,303	146,033	24,647,608

Value

Table of contents	01/01/2017	Increase	Decrease	31/12/2017
Land	221,680	0	0	221,680
Buildings	14,852,511	0	510,714	14,341,797
Buildings – contribution in kind 2013	41,189	384	3,104	38,469
Manufacturing plant and equipment	13,538,007	1,228,149	2,986,179	11,779,977
Manufacturing plant and equipment – contribution in kind 2007	0	0	0	0
Manufacturing plant and equipment – contribution in kind 2013	0	0	0	0
Manufacturing plant and equipment under construction	251,185	1,187,370	1,145,738	292,817
Small inventory	11,476	8,135	11,347	8,265
TOTAL	28,916,049	2,424,038	4,657,082	26,683,005

3.2.4 Non-current financial investments

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

Airspace Block Central Europe (the "FAB CE"). At the same time, the air navigation service providers signed the FAB CE Air Navigation Service Provider Cooperation Agreement (the "ANSP Cooperation Agreement"), followed by the National Supervisory Authority Cooperation Agreement on 30 May 2011.

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

3.2.5 Deferred tax assets

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

Content	31/12/2017	Increase	Decrease	31/12/2018
For long-service awards	18,265	0	373	17,892
For retirement benefits	172,315	13,811	0	186,126
For holiday allowance	54,625	8,623	0	63,248
TOTAL	245,205	22,434	373	267,266

The effects of deferred taxes in the amount of EUR 22,061 were recognised in the Income statement and other comprehensive income.

3.2.6 Inventories

The Company's inventories mainly consist of vital spare parts for its radar systems. Inventories are valued at cost on initial recognition. The Company uses the inventory impairment method, recognising impairments for inventories that have not moved for more than one year at 5% of their cost at the end of each accounting period. Inventory write-downs are disclosed in section 3.2.21.

Content	31/12/2017	Purchase	Expenditure	Impairment	31/12/2018
Spare parts	563,811	19,724	6,633	35,031	541,871
TOTAL	563,811	19,724	6,633	35,031	541,871

3.2.7 Current operating receivables

Content	31/12/2018	Adjustments	31/12/2018	31/12/2017
Receivables due from domestic buyers	190,594	0	190,594	182,383
Receivables due from foreign buyers	4,904,411	1,461,040	3,443,371	2,977,636
Receivables from state institutions	162,915	0	162,915	136,813
Other operating receivables	426,573	0	426,573	492,971
TOTAL	5,684,493	1,461,040	4,223,453	3,789,803

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

Changes in value adjustments of receivables

Content	2018	2017
Balance as at 1 January	1,141,325	983,315
Value adjustments during the year	1,461,040	1,141,325
Collected receivables previously written-off	1,141,325	983,315
Final write-down (cancellation) of receivables	0	0
Balance as at 31 December	1,461,040	1,141,325

Table of receivable maturity structure

Content	2018	2017
Outstanding receivables	220,813	3,141,738
Receivables overdue up to 30 days	3,354,352	8,071
Receivables overdue up to 90 days	4,425	6,809
Receivables overdue over 90 days	54,375	3,401
Total	3,633,965	3,160,019

Receivable value adjustments are made and substantiated at the end of each accounting period on behalf of and based on the data of Eurocontrol. The receivables are not collateralised.

3.2.8 Cash assets

Content	31/12/2018	31/12/2017
Nova Ljubljanska banka d.d.	35,589	36,940
SKB banka d.d.	1,643	1,629
Banka Intesa Sanpaolo, d.d.	3,268,111	2,542,520
UniCredit Banka Slovenija, d.d.	976	956
Short-term call deposit	305,695	272,933
TOTAL	3,612,014	2,854,978

3.2.9 Equity

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

In 2018, the Company generated a net profit of EUR 3,204,968. Pursuant to Article 230(3) of the Companies Act, 50% of the net profit for the 2018 financial year, in the amount of EUR 1,602,484, was allocated to other revenue reserves, so that the net profit for the 2018 financial year after appropriation amounted to EUR 1,602,484 (see the Statement of Changes in Equity for 2018 table). As at 31 December 2018 the revenue reserves include statutory reserves in the amount of EUR 552,571 and other revenue reserves of EUR 13,576,307 intended to fulfil technical and operational requirements and related necessary investments into infrastructure to provide air navigation services.

3.2.10 Provisions and long-term accrued costs and deferred revenues

Content	Jubilee benefits and post-employment benefits	Lawsuits and damages	Other provisions	Other accrued costs and deferred revenue	Total
Balance as at 01/01/2018	2,006,092	0	0	0	2,006,092
Establishment	183,439	0	0	0	183,439
Cancellation	-41,990	0	0	0	-41,990
Transfer to short-term part	0	0	0	0	0
Balance as at 31/12/2018	2,147,541	0	0	0	2,147,541

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

Actuarial methods

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

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

Actuarial assumptions

The calculation is based on the actuarial assumptions presented below.

Demographic assumptions:

- Life tables:
 - The 2007 life tables for the population of Slovenia, applied separately for men and women and reduced by 10% (active population).
 - As at 31 December 2018, this means an overall employee mortality of 0.4% in the following financial year (based on the number of employees).
 - The average age of the Company's employees as at 31 December 2017 was 45.0 years.
- Employee turnover:
 - Fluctuation of employees due to termination of employment by the employee: linearly decreasing from 0.5% in 15 years to 0.2% at 55 years, then constant 0.0%. As at 31 December 2018, this constitutes an overall employee turnover of 0.3% in the following financial year (based on the number of employees).
 - Employee turnover due to an increase in dismissals by the employer was not taken into account.

- Retirement:

- The expected date of retirement is calculated for each employee based on data on gender, date of birth and total years of service as at 31 December 2018 in accordance with Article 27 of the Pension and Disability Insurance Act (ZPIZ-2; Official Gazette of the Republic of Slovenia Nos. 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 and 102/15, 23/17, 40/17 and 65/17), (applying the eligibility criteria for old-age pension) and Article 28(1), indent 3 (work before the age of 18). It is also assumed that women will not retire before the age of 56 and men not before the age of 58 regardless of their total years of service.
- The possibility of retirement before or after the expected date of retirement is not taken into consideration. Where an employee is entitled to a jubilee benefit within two months after their expected date of retirement, provisions are made for that jubilee benefit as well.

Financial assumptions:

- The growth rates of average salaries and the amounts laid down in the Decree on the tax treatment of reimbursed work-related expenses and other income from employment (Official Gazette of the Republic of Slovenia Nos. 140/06, 76/08, 63/17 and 71/18) (hereinafter referred to as the “Decree”):
 - The growth rates of average salaries in the Republic of Slovenia from the Autumn Forecast of

Economic Trends 2018 (IMAD) were applied in the 2019 and 2020 calculations. From 2021 onwards, average salaries in the Republic of Slovenia are expected to increase by 2.0% per annum due to inflation and 1.0% due to real growth. The amounts from the Decree are not expected to increase by 2020, but in subsequent years they are expected to increase in line with inflation.

Year	Nominal annual growth rate of average monthly net salaries in the Republic of Slovenia (in %)	Nominal annual growth rate of amounts from the Decree for jubilee benefits (in %)	Nominal annual growth rate of amounts from the Decree for retirement benefits (in %)
2019	4.9	0.0	0.0
2020	5.0	0.0	0.0
2021	3.0	2.0	2.0

- Salary growth rate in the Company:
 - An increase of the basic salaries in the amount of the annual inflation increased by 0.2% is assumed from 2022 on.

Year	Nominal annual salary growth rate in the Company, due to inflation and realistic growth (in %)
2019	2.1
2020	2.3
2021	2.2

- An increase of basic gross salaries in the Company due to promotion is taken into account: linearly decreasing from 3.0% in 15 years to 0.5% at 45 years, then a constant 0.5% per year; as at 31 December 2018, this constitutes 0.7% in the following financial year (based on the number of employees).

- A seniority bonus of 0.5% of the basic salary is applied for every full year of service. For female employees with over 25 years of service, the seniority bonus is increased by 0.3% for each completed year of service over 25.

- Discount rates:
 - Measurement is based on a yield curve that reflects the estimated timing of benefit payments.
 - The yield curve applied is published at <http://www.ecb.eu/stats/money/yc/html/index.en.html> and is calculated for all government bonds of all euro area countries (spot rates) as at 20 December 2018. Past the 30-year point, the curve is extrapolated using a formula that reflects the relationship between the forward and spot rates based on the 30-year forward rate.
 - The yield curve represents the relationship between market returns on government bonds in the euro area and the remaining time to maturity of the bonds, i.e. the term structure of interest rates.

Sensitivity analysis of actuarial assumptions

Pursuant to IAS 19, a sensitivity analysis was conducted of the actuarial assumptions on the discount rates, the growth of salaries in the Republic of Slovenia and at the Company and the employee turnover for the present value of lump-sum jubilee benefit and retirement benefit obligations as

at 31 December 2018 and in comparison with 31 December 2017. Only a single assumption was changed in each analysis as shown in the table below, while the rest of the assumptions remained unchanged.

Actuarial assumption	Assumption change (in percentage points)	Change in the current value of the obligations (in EUR)			
		Retirement benefits as at		Jubilee benefits as at	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
Return	+0.5	-8,174	-8,328	-125,713	-122,653
	-0.5	8,204	7,892	135,881	131,988
Salary growth	+0.5	8,676	8,829	132,803	129,965
	-0.5	-6,490	-6,619	-125,544	-122,474
Fluctuation	+0.1	-1,706	-1,738	-26,517	-25,907
	-0.1	1,372	1,759	14,601	26,348

3.2.11 Non-current financial liabilities

Content	31/12/2018	31/12/2017
Long-term loans raised with domestic banks	2,625,000	5,055,783
TOTAL	2,625,000	5,055,783

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

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

- loan granted in the amount of EUR 6,000 thousand, the lender is SKB Banka, d.d., the interest rate is 3-month EURIBOR +0.9 percentage points per year. The loan is being repaid in three-month instalments; the first instalment was due on 1 December 2015, and the final repayment deadline is 1 September 2020.

In 2019, instalments totalling EUR 2,430,783 as recorded in the short-term liability items fall due. As at 31 December 2018, the Company has a debt of EUR 2,625,000 from non-current financial liabilities. To raise the loans, the Company did not pledge any real estate or other assets.

Content	Principal as at 31/12/2018	Maturity by year			
		2019	2020	2021	2022
Balance of bank loan principals, payments due by year	5,055,783	2,430,783	2,050,000	575,000	0
Expected interest		75,000	60,000	15,000	0
TOTAL		2,505,783	2,110,000	590,000	0

3.2.12 Current financial liabilities

Content	31/12/2018	31/12/2017
Short-term loans raised from domestic banks	2,430,783	2,673,131
TOTAL	2,430,783	2,673,131

As a current financial liability the Company reports liabilities from non-current loans that fall due in 2019, in the total amount of EUR 2,430,783 thousand (see also the explanation 3.2.11).

3.2.13 Current operating trade payables

Table of contents	31/12/2018	31/12/2017
Trade payables - domestic	673,340	622,158
Trade payables - abroad	672,607	802,519
TOTAL	1,345,947	1,424,677

As at 31 December 2018, the Company reports no overdue trade payables.

3.2.14 Other current operating liabilities

Table of contents	31/12/2018	31/12/2017
Payables to employees	1,297,308	1,325,352
Liabilities to state institutions	1,394,489	1,439,070
Other operating liabilities	32,042	32,336
TOTAL	2,723,839	2,796,758

3.2.15 Corporate income tax liabilities

Corporate income tax liabilities as at 31 December 2018 total EUR 261,697, taking into account the pre-paid advance payments in the period considered.

3.2.16 Other current liabilities

Content	01/01/2018	Establishment	Expenditure	31/12/2018
Unused annual leave	575,010	50,619	0	625,629
CEO's bonus included in calculation	77,056	40,906	77,056	40,906
Short-term deferred revenue	252,310	252,292	0	504,602
TOTAL	904,376	343,817	77,056	1,171,137

3.2.17 Revenues od from sales from contracts

Content	2018	2017
Revenues from sales from contracts in Slovenia	952,302	949,303
Revenues from sales from contracts in the EU	55,482	46,584
Revenues from sales from contracts abroad	1,450	1,280
Revenues from sales from contracts - en-route charges	34,958,207	33,745,323
Revenues from sales from contracts - terminal charges	3,555,109	3,241,633
TOTAL	39,522,550	37,984,123

3.2.18 Other operating revenues

Content	2018	2017
EU grants	186,965	229,098
Revenues from reversals of provisions	2,561	5,634
Other revenue associated with business effects	310,939	355,940
Cancelled impairments Company A	370,514	326,773
Cancelled impairments Company A (IFRS 9 - decrease in expenses)	-370,514	0
TOTAL	500,465	917,445

Since 2010, the Company has made allowances for overdue receivables for terminal charges from Company A, which is its largest partner based on the amount of overdue receivables as at the end of the financial year and assessments of the risk of the partner's potential future inability to settle its overdue liabilities from previous years. Since the partner had settled its liabilities from previous years, allowances in a total amount of EUR 370,514 were reversed in 2018.

In accordance with the new scheme under IFRS 9 in the Profit and Loss Account, the elimination of impairments of receivables in the amount of EUR 370,514 is not disclosed as revenue but as a decrease in write-offs (see also Note 3.2.21)

3.2.19 Cost of materials and services

Costs of materials

Content	2018	2017
Costs of auxiliary material	6,720	52,266
Energy costs	239,281	217,595
Costs of spare parts and maintenance materials	118,412	85,882
Write-off of small tools – useful life of up to one year	3,134	8,312
Costs of office supplies and professional literature	39,581	51,563
Other costs of material	24,007	25,934
TOTAL	431,135	441,552

Cost of services

Content	2018	2017
Costs of transport services	2,489	3,730
Internet and telephone costs	436,171	426,381
Costs of services related to maintenance	888,600	806,574
Rents	385,553	315,918
Reimbursement of employee work-related costs	398,904	355,789
Payment transaction costs	13,699	11,919
Costs of insurance premiums	146,546	142,593
Cost of intellectual and personal services	349,272	185,622
Costs of trade fairs, advertising and entertainment	80,999	68,057
Costs of contracts for services, royalties and Student Work Centre	69,093	76,622
Costs of attendance fees of the Supervisory Board and Workers' Council	77,945	71,095
Costs of aviation meteorology - en-route	1,400,887	1,484,689
Costs of aviation meteorology - terminal	503,531	495,390
ACL costs - en route	682,371	743,863
ACL costs - terminal	100,513	40,008
Other costs of services	914,629	966,596
TOTAL	6,451,202	6,194,846

3.2.20 Labour costs

Content	2018	2017
Wages and salaries	17,803,061	17,393,540
Costs of supplementary pension insurance of employees	602,238	592,041
Other pension insurance costs	1,615,179	1,558,725
Costs of other social security insurance	1,255,889	1,243,951
Augmented pension insurance period contributions	862,153	829,799
Costs of meals and travel allowances	751,014	736,365
Holiday allowance	252,175	242,953
Severance pay	123,545	121,537
Jubilee benefits and other payments to employees	14,165	16,243
TOTAL	23,279,419	22,735,154

The average number of employees based on the total number of hours worked in 2018 was 226.49.

Employee structure

Average number of employees in 2018	
Air traffic control posts requiring a licence – licensed staff	
• Air traffic services posts – air traffic controllers	106
• Air traffic services posts – operators (FDT+FIS)	18
• Communications, navigation and surveillance posts	36
• Aeronautical information services posts	24
Total licensed staff	184
Non-licensed staff	45
Total employees	229

3.2.21 Write-downs

Content	2018	2017
Depreciation of intangible assets	251,598	166,282
Depreciation of buildings	512,726	512,761
Depreciation of equipment and spare parts	2,688,409	2,733,940
Depreciation of small inventories	6,736	7,602
TOTAL	3,459,469	3,420,585

Content	2018	2017
Loss on retirement of fixed assets	48,051	1,408
Net impairment of receivables	564,396	484,783
Impairment loss on inventories	35,031	34,417
TOTAL	647,478	520,608

Actual impairment of receivables in the period discussed amounted to EUR 934,910. The amount represents receivable for terminal charges from its largest partner. In accordance with the new scheme under IFRS 9 in the Profit and Loss Account, the impairment of receivables in the amount of EUR 564,396 or decreased by cancelled impairments for terminal charges to the largest partner is disclosed (see also Note 3.2.18).

3.2.22 Other operating expenses

Content	2018	2017
Membership fees and other operating expenses	1,590,174	1,548,843
Contributions for disabled persons	0	0
Costs of donations and humanitarian aid	40,100	56,350
Non-deductible expenses	872	298
TOTAL	1,631,146	1,605,491

The majority of other operating expenses is attributable to the annual membership fee of EUR 1,547,668 paid to Eurocontrol (2017: EUR 1,477,932).

3.2.23 Financial revenues

Content	2018	2017
Financial revenues from loans	9	8
Financial revenues from operating receivables	455	51
TOTAL	464	59

3.2.24 Financial expenses

Content	2018	2017
Interest on loans	70,080	98,795
Costs of interest on jubilee benefits - actuarial calculation	3,074	2,929
Costs of interest on retirement benefits - actuarial calculation	39,229	35,465
Expenses for operating liabilities	517	298
TOTAL	112,900	137,487

3.2.25 Tax return – corporate income tax

Content	2018	2017
REVENUES determined in accordance with accounting regulations	40,393,993.46	38,901,625.99
Exempt revenues from the reversal of already partly or fully taxed provisions	0.00	0.00
EXPENSES determined in accordance with accounting regulations	-36,383,263.30	-35,055,722.27
Decrease in expenses due to revaluation of receivables - Article 21 of the Corporate Income Tax Act	530,969.81	0.00
Non-deductible expenses for interest on taxes and other levies paid late	81.93	44.98
Non-deductible expenses for donations	40,100.00	56,350.00
Non-deductible expenses for benefits and other employment-related payments where not subject to tax pursuant to the Personal Income Tax Act	602,238.14	592,040.98
Other expenses that are non-deductible pursuant to Art. 29	872.01	298.53
Non-deductible expenses in the amount of 50 per cent of entertainment costs	37,038.45	30,738.94
Non-deductible expenses in the amount of 50 per cent of the costs of the Supervisory Board or another body having only a supervisory function	38,972.61	35,547.64
Amount of claimed tax relief for investments based on the sale or disposal of an asset prior to the expiry of the regulatory period	0.00	0.00
Relief for investments pursuant to Article 55.a of the ZDDPO-2	-261,700.28	-662,049.02
Relief for supplementary pension insurance	-602,238.14	-592,040.98
Relief for donations – amounts paid for humanitarian, disability, social security, charity, scientific, educational, healthcare, sports, cultural, ecological and religious purposes	-40,100.00	-56,350.00
TAX BASE	4,356,964.69	3,250,484.79
TAX - 19%	827,823.29	617,592.11

Adjustment to the effective tax rate

Content	2018	2017
Current tax	827,823	617,592
Deferred taxes	-22,061	-25,773
Total income tax	805,762	591,819
Profit before tax	4,010,730	3,845,904
Corporate income tax 19%	762,039	730,722
Tax-exempt revenue and increase in expenses	0	0
Tax-exempt dividends received	0	0
Tax for tax reliefs	-171,767	-248,984
Tax on non-deductible expenses	215,491	110,081
Tax on non-deductible expenses associated with investment impairments	0	0
Other tax base reductions	0	0
Total income tax	805,762	591,819
Effective tax rate	20.09%	15.39%

3.2.26 Cost breakdown by functional group

Content	2018	2017
Normal general expenses including depreciation and amortisation	35,252,371	34,397,622
TOTAL	35,252,371	34,397,622

3.2.27 Fair value

The management estimates that the fair values of financial assets and liabilities do not differ materially from their carrying amounts..

Fair value measurement

The fair value of operating and other receivables is estimated as the present value of future cash flows, discounted at the market interest rate.

The fair value of non-derivative financial liabilities is determined on the basis of the present value of future principal and interest payments, discounted at the market interest rate.

Fair value hierarchy

2018	Valuation at fair value			
	Share book value as at 31/12/2018	Direct value on stock markets (level 1)	Value based on market observables (level 2)	Value cannot be derived from market observables (level 3)
Assets measured at fair value	0	0	0	0
Assets whose fair value is disclosed	3,641,070	0	0	3,641,070
Trade receivables	3,641,070	0	0	3,641,070
Total fair value of assets	3,641,070	0	0	3,641,070
Liabilities measured at fair value	0	0	0	0
Trade payables – current and non-current	1,345,947	0	0	1,345,947
Loans raised	5,055,783	0	0	5,055,783
Liabilities whose fair value is disclosed, total	6,401,730	0	0	6,401,730
Total fair value of liabilities	6,401,730	0	0	6,401,730

2017	Valuation at fair value			
	Share book value as at 31/12/2018	Direct value on stock markets (level 1)	Value based on market observables (level 2)	Value cannot be derived from market observables (level 3)
Assets measured at fair value	0	0	0	0
Assets whose fair value is disclosed	3,229,618	0	0	3,229,618
Trade receivables	3,229,618	0	0	3,229,618
Total fair value of assets	3,229,618	0	0	3,229,618
Liabilities measured at fair value	0	0	0	0
Trade payables – current and non-current	1,424,677	0	0	1,424,677
Loans raised	7,728,914	0	0	7,728,914
Liabilities whose fair value is disclosed, total	9,153,591	0	0	9,153,591
Total fair value of liabilities	9,153,591	0	0	9,153,591

3.2.28 Financial instruments and financial risk control

The most significant financial risks to which the Company is exposed are interest rate risk, liquidity risk, credit risk and capital management.

Interest rate risk

The Company has non-current financial liabilities in the amount of EUR 2,625,000 (2017: EUR 5,055,783). As at 31 December 2018, the current portion of its financial liabilities totalled EUR 2,430,783 (2017: EUR 2,673,131). An unexpected increase in variable interest rates may compromise the achievement of the Company's planned operating results, so the interest rate risk is important for the Company.

The impact of changes in variable interest rates on future operating results is shown in the table below.

Sensitivity analysis

2018

Balance of liabilities tied to individual variable interest rates	Liabilities as at 31/12/2018	Interest rate increase by 0.5%	Interest rate decrease by 0.5%
3-month EURIBOR	5,055,783	25,279	-24,785

Balance of liabilities tied to individual variable interest rates	Liabilities as at 31/12/2017	Interest rate increase by 0.5%	Interest rate decrease by 0.5%
3-month EURIBOR	7,728,914	38,645	-36,625

The analysis of the sensitivity of financial liabilities to changes in variable interest rates is based on the assumption of a potential variable interest rate change of 0.5%. The calculation is based on the average interest rate of all loans.

Liquidity risk

Matching the maturities of assets and liabilities is essential for ensuring continuous solvency.

The availability of adequate financial resources in a given period is vital for the timely settlement of outstanding liabilities. Liquidity risks comprise

the insufficiency of financial resources and the opportunity losses of surplus cash in bank accounts. The Company has a system in place to monitor the maturity of trade payables and payables to financial institutions, the state and others and to ensure that liabilities are settled in a regular and timely manner.

Contractual cash flows

2018	Book value	Up to 1 year	From 1 to 5 years	Total
Derivative financial liabilities	0	0	0	0
Loans and credits, including expected interest	5,055,783	2,505,783	2,700,000	5,205,783
Trade payables	1,345,947	1,345,947	0	1,345,947
Total non-derivative financial liabilities	6,401,730	3,851,730	2,700,000	6,551,730
Total	6,401,730	3,851,730	2,700,000	6,551,730

Contractual cash flows

2017	Book value	Up to 1 year	From 1 to 5 years	Total
Derivative financial liabilities	0	0	0	0
Loans and credits, including expected interest	7,728,914	2,773,131	5,255,786	8,028,914
Trade payables	1,424,677	1,424,677	0	1,424,677
Total non-derivative financial liabilities	9,153,591	4,197,808	5,255,786	9,453,594
Total	9,153,591	4,197,808	5,255,786	9,453,594

The Company's capital management policy follows the guidelines of EU and Slovenian legislation governing the Company's activity with the aim of ensuring adequate capital growth to meet the technical, technological and operational requirements and make the necessary investments in infrastructure for the provision of air navigation services.

The Company had a leverage ratio of 1.58 in 2018, while the ratio stood at 1.75 in 2017.

Credit risk

Default risk, i.e. the risk that customers will fail to meet their contractual obligations on time, is regularly monitored and appropriate measures are promptly taken to collect trade receivables. This protects the Company against the uncertainty of payment, which could hinder the planning of future cash flows. Uncertainty about the settlement of obligations by counterparties would thus necessitate additional borrowing, which in turn would result in additional financing expenses. Allowances for doubtful receivables are made and substantiated at the end of each accounting period based on the data of Eurocontrol.

Capital management

The primary goal of capital management in the Company is to provide the resources that will enable the Company to meet the technical, technological and operational requirements and make the necessary investments in infrastructure for the provision of air navigation services, particularly to ensure sufficient capacity as required by the binding EU-wide target for that key performance area and as stipulated by Slovenian and EU regulations, with the aim of ensuring the safe, proper, efficient and uninterrupted provision of services. In this way the Company also ensures a high credit rating and the relevant financing ratios, which in turn secure it additional financing resources for its operations. The founder and sole member of the Company is the Republic of Slovenia and the Founder's rights are exercised on its behalf by the Slovenian Sovereign Holding. Thus, in capital management and dividend policy the Company also follows the strategic orientations and expectations of its Founder.

3.2.29 Implementation of other activities

In 2018, the Company generated revenues from implementation of other activities in the amount of EUR 99,480, of which EUR 41,200 from training of controllers from Bosnia and Herzegovina, EUR 11,051 from consultancy services for foreign

air navigation service providers, EUR 37,200 from leasing of real estate (hangar at Jože Pučnik Airport) and EUR 10,029 from supply of electric energy into the distribution network from the production facility at the ATCC Brnik measurement site when necessary. Revenues from the implementation of other activities represent 0.25% of all operating revenues of the Company. In 2018, the Company recorded EUR 6,721 of costs arising from implementation of other activities.

3.2.30 Related party transactions

The Company provides services to various bodies, agencies and companies in which the Republic of Slovenia holds a majority or minority share. All transactions with those parties are made on an arm's length basis that are no more favourable than those offered to other customers.

The Company has a non-current investment in FABCE, Aviation Services, Ltd, which is detailed in section 3.2.4

In 2018, the Company's transactions with FABCE, Ltd generated revenues of EUR 43,240 from the rental of business premises and technical equipment and supporting administrative, accounting and legal services; and expenses of EUR 33,272 for project support services to members. As at 31 December 2018, the Company had no overdue receivables due from or payables due to FABCE, Aviation Services, Ltd.

3.2.31 Events after the date of the Statement of financial position

No events that could affect the true and fair view of the financial statements for 2018 occurred between the date of the financial statements and the date of this report.

3.2.32 Contingent Liabilities

The Company does not have any contingent liabilities that are not appropriately disclosed in the financial statements as at 31 December 2018.

3.2.33 Audit costs

Purpose of expenditure	2018	2017
Annual report audit	9,500	10,465
Other services of giving assurance	2,500	2,500
TOTAL	12,000	12,965

3.2.34 Other disclosures

The Company is managed by the Company's legal representative and CEO, Franc Željko Županič, PhD.

The table below shows the CEO's gross remuneration in 2018:

	Franc Željko Županič
Function	Director
Fixed salary - gross (1)	118,506
Variable pay - gross (2)	66,371
Deferred pay (3)	0
Severance pay (4)	0
Benefits (5)	6,659
Repayment of paid remuneration – "claw-back" (6)	0
Total gross (1+2+3+4+5-6)	191,536
Total (net)	82,370

The variable pay is paid pursuant to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the RS, Nos. 21/10, 8/11 – ORZPPOGD4 in 23/14 – ZDIJZ-C). The Company has no outstanding claims arising from loans to the CEO.

In 2018, the Supervisory Board consisted of six members, four representing the interests of the Founder and two representing the employees. The members of the Supervisory Board are entitled to remuneration in accordance with Article 18 of the Memorandum of Association and the Founder's Resolution No. 4-0027/2011-1175 of 28 July 2011.

The gross and net remuneration of Supervisory Board members in 2018 are shown in the table below:

Name and surname	Function	Base remuneration for the performance of the function - gross per annum (1)	SB and Committee Attendance fees - gross per annum (2)	Total gross (1+2)	Total (net)	Travel expenses
Dušan Hočevar, MSc	President	9,300	2,600	11,900	8,650	266
Marija Šeme Irman, MBA	Deputy President	6,820	2,600	9,420	6,846	148
Gorazd Čibej, MSc	Member	6,200	2,600	8,800	6,395	148
Nikolaj Abrahamsberg, MSc	Member	6,200	2,400	8,600	6,250	668
Žiga Ogrizek	Member	6,200	2,400	8,600	6,250	0
Davor Mizerit	Member	6,200	2,400	8,600	6,250	0

3.2.35 Proposed profit distribution

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

In 2018, the Company generated a net profit of EUR 3,204,968. Pursuant to Article 230(3) of the Companies Act, 50% of the net profit for the 2018 financial year, in the amount of EUR 1,602,484, was allocated to other revenue reserves, so that the net profit for the 2018 financial year after appropriation amounted to EUR 1,602,484.

As at 31 December 2018 the Company posted distributable profit in the amount of EUR 1,935,693.

It is proposed to the Company Founder to use the distributable profit of EUR 1,000,000 to pay

dividends to the sole member, and the distributable profit of EUR 935,693, comprising the remainder of the retained profit from previous years and the residual net profit for the 2018 financial year after appropriation, to establish other revenue reserves.

The above proposal for the appropriation of distributable profit is in line with the EU-legislation governing air traffic management and control and the provision of air navigation services, which only permits necessary capital improvements. The proposed appropriation of the distributable profit will enable the Company to meet the technical, technological and operational requirements and make the necessary investments in infrastructure for the provision of air navigation services, particularly to ensure sufficient capacity as required by the binding EU-wide target for that key performance area and as stipulated by Slovenian and EU regulations, with the aim of ensuring the safe, proper, efficient and uninterrupted provision of services.

3.2.36 Statement of the management's responsibility

Pursuant to the provisions of Article 60a of the Companies Act, on 15 March 2019, the CEO approved these financial statements, the accounting policies applied and the notes to the financial statements for publication.

The management is responsible for the preparation of the Annual Report in such a way that it shows a true and fair view of the Company's assets and statements of operations for the year 2018.

The CEO confirms to have consistently applied the appropriate accounting policies and made the accounting estimates according to the principle of prudence and due diligence. The CEO further confirms that the financial statements, together with the notes, have been prepared on the basis of the assumptions of going concern and in line with the applicable legislation as well as the International Accounting Standards.

The CEO is also responsible for adequately managed accountancy, adoption of appropriate measures aimed at insuring the property as well as preventing and discovering fraud and other irregularities or illegalities.

The tax authorities are entitled to inspect the Company's operations at any time within five years after the expiry of the year for which tax must be assessed, which could result in additional payment liability for tax, default interest and penalty arising from corporate income tax or other taxes and levies. The CEO is not aware of any circumstances that could result in any potential significant liability in relation thereto.

Franc Željko Županič, PhD
CEO



Zgornji Brnik, 15 March 2019

GLOSSARY OF TERMS AND ACRONYMS





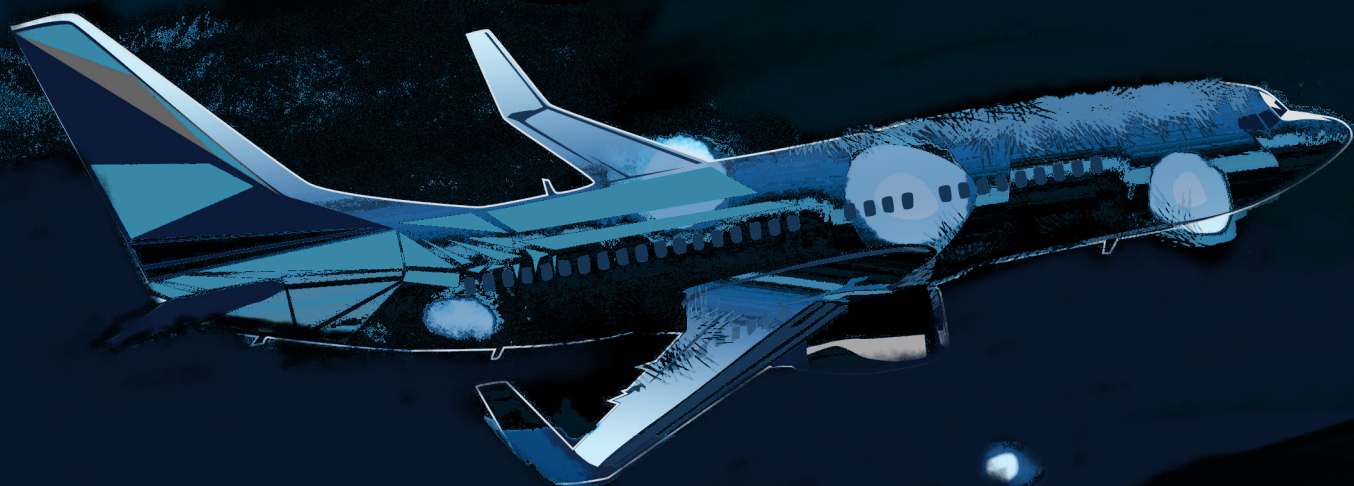
ACC	Območna kontrola zračnega prometa	Area Control Centre
ACE Report	Poročilo stroškovne učinkovitosti upravljanja zračnega prometa	ATM Cost Effectiveness Report
ADP	Proces letalskih informacij	AIS Data Process
ADSP	ATM Data Service Provider	Ponudnik storitve ATM podatkov
AFTN	Letalsko fiksno telekomunikacijsko omrežje	Aeronautical Fixed Telecommunication Network
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
ARO	Služba zrakoplovnih informacij	Aeronautical Reporting Office
ASM	Upravljanje zračnih prostorov	Airspace Management
ATCA	Združenje kontrolorjev zračnega prometa	Air Traffic Control Association
ATCC	Center za vodenje in kontrolo zračnega prometa	Air Traffic Control Centre
ATFM	Upravljanje pretoka zračnega prometa	Air Traffic Flow Management
ATM	Upravljanje zračnega prometa	Air Traffic 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
ATSU	Enota izvajanja službe zračnega prometa	Air Traffic Service Unit
BALTIC FAB	Funkcionalni blok zračnega prostora baltskih držav	Baltic Functional Airspace Block
BLUE – MED FAB	Funkcionalni blok zračnega prostora BLUE MED (Mediterranski funkcionalni blok zračnega prostora)	Functional Airspace Block BLUE MED (Mediterranean Functional Airspace Block)
CANSO	Mednarodna organizacija civilnih navigacijskih služb zračnega prometa	The Civil Air Navigation Services Organization
CEF	Instrument za povezovanje Evrope	Connect Europe Facilities
CFMU	Osrednja enota za upravljanje pretoka zračnega prometa	Central Flow Management Unit
CNS	Komunikacije, navigacija in nadzor	Communication, Navigation and Surveillance
COM	Komunikacije	Communication
CRCO	Centralni urad za zaračunavanje pristojbin pri organizaciji Eurocontrol	Central Route Charges Office
DAM	Dinamično upravljanje zračnega prostora	Dynamic Airspace Management
DANUBE FAB	Funkcionalni blok zračnega prostora DANUBE (FAB Romunije in Bolgarije)	Functional Airspace Block DANUBE (FAB of Romania and Bulgaria)
DCT	Sistem direktnega načrtovanja letov	Direct Flight
DDPO	Davek od dohodkov pravnih oseb	Corporate Income Tax



DEP	Odlet	Departure
EAD	Evropska baza zrakoplovnih podatkov	European AIS Data Base
EASA	Evropska agencija za varnost v letalstvu	European Aviation Safety Agency
EBIT	Dobiček iz poslovanja (dobiček pred obrestmi in davki)	Earnings Before Interest and Taxes
EBITDA	Poslovni izid pred obrestmi in davki, deprecijacijo in amortizacijo	Earnings Before Interest, Taxes, Depreciation and Amortization
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
FIR	Letalsko informacijsko področje	Flight information region
FL	Nivo leta	Flight Level
FPL	Načrt leta	Flight Plan
FRA	Zračni prostor, v katerem se prosto (svobodno) določajo zračne poti	Free Route Airspace
FUA	Prilagodljiva uporaba zračnega prostora	Flexible Use of Airspace
GATE ONE	Združenje treh različnih FAB-ov (BALTIC FAB, DANUBE FAB, FAB CE) in M-NAV ter SAMTSA	Alliance between three FABs (BALTIC FAB, DANUBE FAB, FAB CE) and M-NAV and SMATSA
GO FRA	Zračni prostor Gate One, v katerem se prosto (svobodno) določajo zračne poti	Gate One Free Route Airspace
IANS	Inštitut navigacijskih služb zračnega prometa	Institute of Air Navigation Services
ICAO	Mednarodna organizacija civilnega letalstva	International Civil Aviation Organization
IFR	Pravila instrumentalnega letenja	Instrument Flight Rules
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
LSSIP	Lokalni načrt implementacije enotnega neba	Local Single Sky Implementation Plan
MET	Službe letalske meteorologije	Meteorological Services
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



NAV	Navigacija	Navigation
NOTAM	Obvestilo pilotom	Notice – to – Airmen
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	Preflight Information Bulletin
QAM	Sistem za zagotavljanje vremenskih podatkov	System for providing Weather Data
RAT	Orodje za ocenjevanje tveganja	Risk Analysis Tool
ROA	Donosnost sredstev	Return on Assets
ROE	Donosnost kapitala	Return on Equity
SAT	Preverjanje delovanja sistema oz. naprave na mestu vgradnje	Site Acceptance Test
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
STATFOR	Eurocontrolova storitev statistike in napovedi	EUROCONTROL Statistics and Forecast Services
SUR	Nadzor	Surveillance
SZP	Sektor zračnega prometa	Air Traffic Department
TNC	Tehnično-nadzorni center	System Monitoring and Control
UTC	Univerzalni koordinirani čas	Coordinated Universal Time
VFR	Pravila vizualnega letenja	Visual Flight Rules



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