ANNUAL REPORT 2018

Fraport Slovenija, d.o.o.

March 2019

CONTENTS

A WORD FROM THE GENERAL MANAGER 3
BUSINESS REPORT 6
1 INTRODUCTION 6
1.1 HIGHLIGHTS OF OPERATIONS 6
1.2 SIGNIFICANT EVENTS 7
1.3 BASIC INFORMATION ABOUT THE COMPANY FRAPORT SLOVENIJA, D.O.O. 9
1.4 CORPORATE GOVERNANCE STATEMENT 13
1.5 DECLARATION IN ACCORDANCE WITH ARTICLE 545 OF THE ZGD-1 16
2 COMPANY OPERATIONS IN 2018 AND PLANS FOR 2019 17
2.1 SITUATION IN EUROPEAN AVIATION 17
2.2 ECONOMIC SITATION IN SLOVENIA 18
2.3 MARKET POSITION AND MARKETING ACTIVITIES OF THE COMPANY 18
2.4 ANALYSIS OF PERFORMANCE 23
2.5 INVESTMENTS 29
2.6 FRAPORT AVIATION ACADEMY 31
2.7 EMPLOYEES 32
2.8 PLANS FOR 2019 33
3 RISK MANAGEMENT 35
4 SUSTAINABLE DEVELOPMENT 37
FINANCIAL REPORT 40
1 STATEMENT OF MANAGEMENT 40
2 INDEPENDENT AUDITOR'S REPOR 41
3 FINANCIAL STATEMENTS 43
3.1 BALANCE SHEET 43
3.2 INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME 44
3.3 CASH FLOW STATEMENT 45
3.4 STATEMENT OF CHANGES IN EQUITY 46
4 SIGNIFICANT ACCOUNTING POLICIES 47
4.1 REPORTING COMPANY 47
4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS 47
4.3 SIGNIFICANT ACCOUNTING POLICIES 48

5 NOTES TO THE FINANCIAL STATEMENTS ... 62
5.1 NOTES TO THE BALANCE SHEET ... 62
5.2 NOTES TO THE INCOME STATEMENT ... 75
5.3 NOTES TO THE CASH FLOW STATEMENT ... 80
5.4 FINANCIAL RISKS ... 80
5.5 OTHER EXPLANATORY NOTES ... 82

A WORD FROM THE GENERAL MANAGER

A record-breaking year, and major investments ahead

Another year is behind us: one that brought high growth, and the blossoming of the wider airport zone. The previous year's final passenger number of 1,688,558 was achieved already on 25 November 2018. A record number of 1,818,229 passengers were handled at Ljubljana Airport, up 7.7% on the previous year. The number of aircraft movements was up 3.1%, while cargo tonnage was up 7.1% at 26,044 tonnes. The increase in passenger transport was primarily attributable to Adria Airways in the first half of the year, while the foreign airlines continued to expand their traffic throughout the year in various ways: improving load factors, increasing frequencies and launching new routes. Ljubljana Airport was served by 11 scheduled airlines in 2018, with 34 different destinations in the timetable.

Record traffic figures were followed by record financial results. Operating revenues were up 11% on 2017 at EUR 46,483 thousand. EBIT was up 24.1% on the previous year at EUR 14,503 thousand, while net profit was up 23% at EUR 11,807 thousand.

In the past year, procedures for expanding the passenger terminal have been acquired. The public tender for the construction and fitting works was published in October. Because of the changes in the legal practice in the area of public tenders that might have had a significant impact on the procedure, the company decided to reject all six applications received, and to restart the award of the public tender with certain updates. The restart will bring the delay in the completion of the project by a few months, but it is expected to be ready for use in the summer of 2021.

Operating airports is a mature, well-honed business, where it is difficult to stand out, despite progress and continuous growth. We are responding to this challenge with the Fraport Aviation Academy, which was officially founded in 2016, with the aim of offering a wide range of training courses in aviation, crisis management, and protection and rescue. Under the development strategy adopted in 2017, the Aviation Academy became one of Fraport Slovenija's four strategic pillars, alongside aviation, cargo and commercial activities. This well-considered investment both in growth and in the expansion of Fraport Slovenija's core business is raising our competitive position and brand reputation, and is consolidating current and future performance.

We began the construction of the Aviation Academy's new training centre in 2018, which led to the inauguration of the new centre in March 2019 following an investment of more than EUR 6 million. The new training centre complements the infrastructure in the commercial and logistics zone alongside the airport, which genuinely blossomed in 2018. The opening of the long-planned airport bypass road was a great fillip. Global logistics operators are opening huge complexes in the zone. The aim for this year is to attract investors for a hotel, which would justify the proposals to put a rail link with Ljubljana city centre back in national planning documents, the idea having been shelved years ago.

The rapid growth that we are facing presented a huge Human Resources challenge to the company last year. We hired a total of 55 new employees. We were faced with the shortage and overburdening of staff, but all the time being aware that people are the key factor in the service sector. This is the main reason that we invested so much work not only in recruitment, but also in improving working conditions and job satisfaction. We updated the collective agreement, eliminated wage disparities and increased the total labour cost by about 15%. The road to this objective was not always smooth, but we were able to overcome disagreements through dialogue and a promise to continue rectifying the deficiencies in this area in 2019. Our aim is not only to recruit the best, but to retain our staff through excellent working conditions, so that they feel good working for us and do not consider leaving for somewhere else. Our efforts in this area have also been recognised by our peers. In 2018 we were proud to receive a best employer award from Spirit Slovenija, a public agency that for 13 years has awarded prizes for the top foreign investors and firms with foreign capital who in the last year have generated exceptional results and contributed to the development of the Slovenian economy. Early in the new year we were recognised as one of the best employers in the country for the sixth time in all, and for the fourth year in a row.

There was again considerable uncertainty in the performance of our largest business partner in 2018. The announcement and partial execution of a recapitalisation brought slightly more certainty in this area at the end of the year. We expect the consolidation to go according to plan, and for Adria Airways' performance to stabilise again in 2019. In general, we are anticipating a slowdown in the rapid growth in traffic seen in 2017 and 2018. The key is that the company invests in infrastructure, equipment, organisation and employee satisfaction in the good years, and sets the foundations for going through less optimistic periods. An investment cycle lies ahead of us, most notably construction works to expand the passenger terminal, and scenario analysis and a decision on investment in infrastructure for cargo transport.

» This well-considered investment both in growth and in the expansion of Fraport Slovenija's core business is raising our competitive position and brand reputation, and is consolidating current and future performance. «

The 55th anniversary of the first aircraft landing at Ljubljana Airport was on 24 December. Over the last 55 years we have handled approximately 42,700,000 passengers, more than 1,127 thousand aircraft movements and approximately 529 thousand tonnes of cargo. During its 55 years of life Ljubljana Airport has undergone a number of ups and downs, but the airport operator has never stopped investing in the development of airport infrastructure, improving the quality of its services and permanently increasing the traffic passing through the airport. Despite difficult events, notably the independence war, when traffic at the airport practically came to a standstill, we can boast constant growth in passenger numbers and consistent excellence in our operations. Social and environmental responsibility are another important aspect of the company's operations. The company has issued guidelines for the further development of the airport zone, and the corresponding planning conditions. Over the next few years, with the realisation of these plans, we will work to further strengthen our role as an important provider of connections and services for passenger and cargo transport in the region.

Zmago Skobir,

Managing Director

Skobir

BUSINESS REPORT

1 INTRODUCTION

1.1 HIGHLIGHTS OF OPERATIONS

	2018	2017	Index 18 / 17
TRAFFIC			
Number of passengers	1,818,229	1,688,558	107.7
Aircraft movements	35,512	34,444	103.1
Cargo (in tonnes)	26,044	24,314	107.1
ANALYSIS OF PERFORMANCE **in thousand euros**			
Operating revenues	46,483	41,890	111.0
Net sales revenue	46,258	41,673	111.0
Operating expenses	31,980	30,203	105.9
EBITDA	19,112	16,042	119.1
EBIT – operating profit	14,503	11,686	124.1
Net finance income/expenses	-327	-113	289.6
Pre-tax profit	14,177	11,573	122.5
Net profit	11,870	9,647	123.0
Total comprehensive income of the period	11,937	9,605	124.3
Value added (operating revenues – costs of materials and services – other operating expenses excluding revaluation operating expenses and provisions)	34,750	30,768	112.9
BALANCE SHEET **in thousand euros**			
Assets as at 31. 12.	124,513	109,706	113.5
Equity as at 31. 12.	105,480	93,546	112.8
EMPLOYEES			
Number of employees 31. 12.	483	428	112.9
Average number of employees based on hours worked	460.0	410.3	112.1
INDICATORS			
EBITDA margin	0.41	0.38	107.4
EBIT margin	0.31	0.28	111.8
Net ROE – in % (net profit/average no. of employees based on hours worked)	12.68%	10.36%	122.5
Net ROA – in % (net profit/average assets)	10.14%	8.52%	119.0

1.2 SIGNIFICANT EVENTS

SIGNIFICANT EVENTS OF 2018

JANUARY

The new regional road from Kranj to Spodnji Brnik was opened on **26 January 2018**. Construction of the road began in the middle of 2016, and was completed at the end of 2017, at a total cost of EUR 5.5 million. Fraport Slovenija contributed EUR 1.2 million as a co-investor (alongside the central government and the municipality of Cerklje na Gorenjskem).

The airport operator adopted a new Airport User Regulations on **31 January 2018**, which must be made available to all passengers, users and staff.

MARCH

On **9 March 2018** the company signed a modified collective agreement with the Aerodrom Ljubljana workers' union. The Collective Agreement of Fraport Slovenija, d.o.o., entered into force for all of the company's staff on the day of its signing, and began to be applied on 1 April 2018.

The advent of the summer timetable and the announcement of seven new destinations was marked by Adria Airways on **25 March 2018** with the launch of a new route to the Bulgarian capital, Sofia.

APRIL

In a record time of two months we have renewed the entire passenger departure control system (DCS). The modern and fast information system gives us an opportunity for introduction of new services for passengers and business partners (airlines) and improves user experiences of airport passengers. It has been in operation since **1 April 2018**.

MAY

Fraport Slovenija was awarded ISO 45001 certification after passing an external assessment of its occupational health and safety system.

JULY

A new president assumed the helm of the Investors' Committee on **1 July 2018** in the shape of Holger Schaeffers.

A modified Collective Agreement was signed on **25 July 2018** with the other two trade unions: the Aerodrom Ljubljana Professional Firefighters' Union and the Aerodrom Ljubljana Free Union.

AUGUST

Low-cost airline easyJet launched a new service to Berlin on **2 August 2018**, with three flights a week.

OCTOBER

A public tender for the construction and fitting work for the extention of the passenger terminal was awarded on **15 October 2018**.

After an absence of 15 years, Russian airline Aeroflot returned to Ljubljana Airport on **28 October 2018**, with daily flights to Moscow served by Sukhoi Superjet 100s. Aeroflot's excellent network means that the service to Moscow will be a great starting point for Slovenian passengers for onward travel to destinations across Russia, other countries of the former Soviet Union, and Asia.

NOVEMBER

The record passenger number of 1,688,558 achieved in 2017 was passed on **25 November 2018**.

On **28 November 2018** Fraport Slovenija became the proud recipient of a best employer award from Spirit Slovenija, a public agency that for 13 years has awarded prizes for the top foreign investors and firms with foreign capital who in the last year have generated exceptional results and contributed most to the development of the Slovenian economy.

DECEMBER

On **7 December 2018** British Airways announced that it would offer flights at Ljubljana Airport during the peak summer season in 2019. Between 15 July and 2 September, it will fly twice a week to Airport Heathrow, one of the busiest global hubs, from where passengers can fly all over the world.

The 55^{th} anniversary of the first aircraft landing at Ljubljana Airport in 1963 came on **24 December 2018**. Over the last 55 years the airport has handled approximately 42,700,000 passengers, more than 1,127 thousand aircraft movements and approximately 529 thousand tonnes of cargo.

The Initial Airport Operation Plan (IAOP) was successfully completed at the **end of 2018**, which allowed the company to replace the airport information system and the flight information system. The project was co-financed by the European Commission, under the Connecting Europe Facility, which aims to promote growth, employment and competitiveness by financing infrastructure investment across Europe.

SIGNIFICANT EVENTS AFTER THE END OF 2018

JANUARY 2019

Because of changes in legal practice in the area of public contracting that might have had a significant impact on the procedure to award the contract for construction and fitting work for the expansion of the passenger terminal, the company decided to reject all six applications received in the public tender, and to restart the award of the public contract with certain updates.

On **22 January 2019** the company was recognised by Mojedelo.com, an employment portal, as one of the best employers in the country for the sixth time in all, and for the fourth year in a row. Several thousand jobseekers took part in an in-depth survey, and this year they again ranked Fraport Slovenija as one of the best employers in the country.

MARCH 2019

The Fraport Aviation Academy held its gala opening on **6 March 2019**. With an investment of more than EUR 6 million, it is the company’s response to the need for training in aviation, crisis management, and protection and rescue for participants from the Fraport Group and to the third parties.

1.3 BASIC INFORMATION ABOUT THE COMPANY FRAPORT SLOVENIJA, D.O.O.

Fraport Slovenija, which used the name Aerodrom Ljubljana until April 2017, is the operator of Ljubljana Airport, the central Slovenian international airport, which provides 97% of the total air passenger traffic in Slovenia. It is an economically viable and economically and socially responsible company with over 50 years of tradition. It has been owned by the German company Fraport AG since 2014.

The strategic location of the airport is ideal for development of flight connections and activities related to airline industry, since it is located at the crossroads of the traffic flows between the Pannonian Basin and the Po Valley, and the corridor from Middle East to the European Union, running through the Istanbul Strait. The gravitation area of Ljubljana Airport accounts for over four million inhabitants. It comprises places located up to 120-minute drive from the airport including some border places of Austria, Italy and Croatia. The airport with its 3,300 m long take-off and landing runway is well-equipped with modern technology which allows landing in conditions of reduced visibility according to ICAO IIIB category.

The company owns several pieces of land, which enables a further airport expansion and development of complementary activities.

SIGNIFICANT INFORMATION

Company name	**Fraport Slovenija, upravljanje letališč, d.o.o.**
Business address	Zg. Brnik 130A, 4210 Brnik - Aerodrom, Slovenija Tel.: +386 (0)4 206 10 00 email: info@fraport-slovenija.si, http://www.fraport-slovenija.si
Activity code	52.230 – other auxiliary activities in air transport
Company size	Large company according to Companies Act
Management of the company	Zmago Skobir, managing director
Procurators of company	Robert Gradišar, COO Babett Stapel, CFO/CCO/CAO
Number and date of entry of conversion to limited liability company in companies register	Entry: 2015/15628 on 14 April 2015
Registration number	5142768000
VAT ID number	SI12574856
Nominal capital 31. 12. 2018	15.842.626,44 EUR
Sole member	Fraport AG Frankfurt Airport Services Worldwide
Transaction accounts	UniCredit Banka Slovenija d. d.: SI56 2900 0000 3291 455 Nova ljubljanska banka, d. d. Ljubljana: SI56 0292 1001 4174 945
Financial year	Calendar year
Number of employees as at 31. 12. 2018	483

1.3.1 ACTIVITIES

Fraport Slovenija is the operator of Ljubljana Jože Pučnik Airport (hereinafter Ljubljana Airport). Its core business comprises airport management and operation, development of the airport infrastructure, provision of ground handling services and various commercial activities.

1.3.2 MISSION, VISION, VALUES AND STRATEGIC OBJECTIVES

Mission

We provide connectivity of Slovenia by creating inspiring services and customer friendly experience and sustainable airport management.

Vision

Our vision is to be:

1. efficient and prime-quality regional gateway,
2. exciting retail experience platform,
3. major air cargo airport in the region,
4. leading skills academy of aviation industry.

Values

Our most important values are sustainability development, value enhancement, airport safety and high performance.

Sustainability development

We are aware of the responsibility, as employer and economy factor, which we have for our employees, society and environment and other interested parties. We act sustainable and base our actions on economic, environmental and social criteria.

Value enhancement

We aspire a sustainable enhancement of the company's value in all fields of service.

Airport safety

Through continuous risk detection and management, we reduce the likelihood of personal injury and material damage.

High performance

Our integrated business model ensures business excellence applying safe, efficient and high-quality processes.

A high level of quality services is a cornerstone of the company's business activity and also a quid to acquiring its market recognition. The quality of our services is ensured by professionalism and knowledge of our staff who are aware of their role and importance for the company since motivated and qualified employees help build company's reputation.

Strategic objectives of the company 2017-2025

To accomplish the company's mission and vision we set four strategic pillars:

1. Aviation (aviation services and ground handling).

2. Commercial services.
3. Cargo.
4. Aviation Academy.

Aviation business is the basic activity of the company on which depend the majority of others. By increasing passengers' experience commercial activities represent also an important marketing tool that increases competitiveness of an airport. In the field of cargo services, we will focus on provision and marketing of adequate infrastructure. Fraport Slovenija operates its Aviation Academy. The aim of the Academy is to fulfil training requirements within the Fraport Group, as well as for third parties. Knowledge and development of human resources are key factors to ensure efficient performance and implementation of our objectives. These four pillars will be the main revenue streams for the company.

Development of the strategic pillars will enable:

1. Increasing traffic of passengers, aircraft movements and cargo.
2. Increasing revenues, particularly from commercial services.
3. Ensuring the essential investment in infrastructure and equipment to allow for further development of passenger and cargo traffic.
4. Providing development opportunities for logistic players and reliable handling to become the preferred air-cargo hub in the western Balkan region.
5. Developing investment opportunities in Airport City and attracting different businesses.
6. Developing company as a well-known provider for training in the field of aviation.

1.3.3 ORGANISATION

Company structure of Fraport Slovenija, d.o.o., effective from 1 April 2018

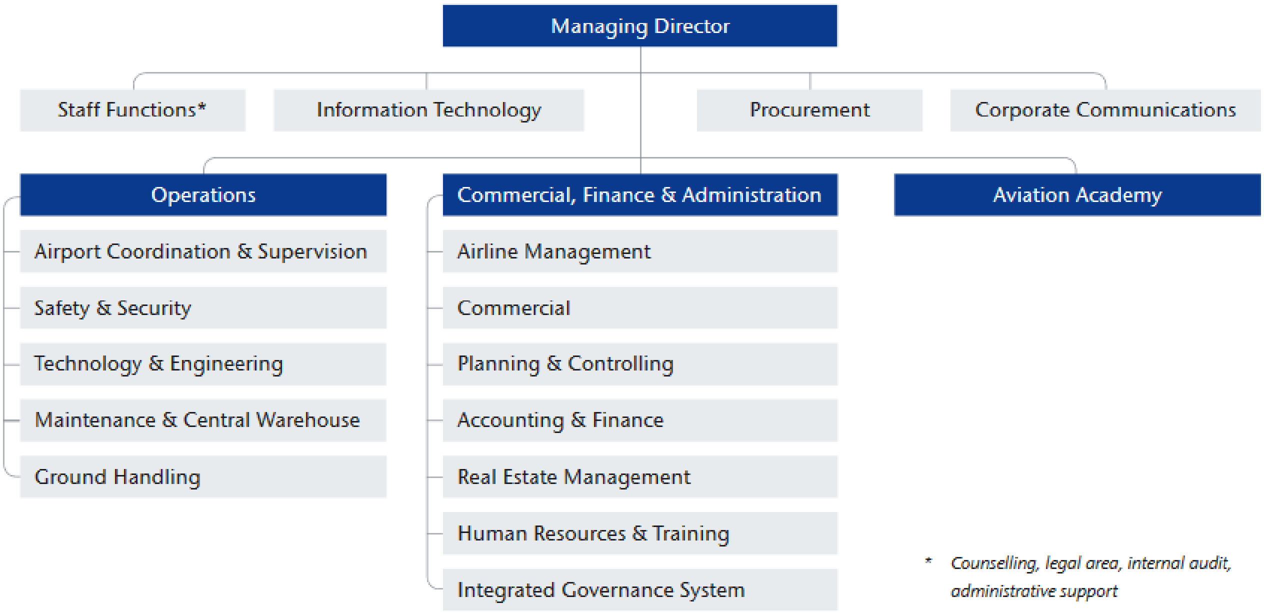


Figure 1: Company structure

1.3.4 INTERNATIONAL ACTIVITIES

In 2018 we continued being active as members of various expert groups operating under ACI Europe (Airports Council International Europe). The advisor of the company's management board is a member of the Advisory Group within the Policy Committee with its task to prepare strategic guidelines for ACI Europe management and to coordinate and provide links to other committees and work groups. We are still a member of Aviation Security Committee, which deals with the issue of civil aviation security at airports and suggests solutions in this particular field. We are also a member of the regional airport stakeholder Regional Airport's Forum which provides proposals in the interest of small and medium-sized airports, member of ACI Communications Group, which joins communication experts of European airports and also a member of Digital Communications Forum.

1.4 CORPORATE GOVERNANCE STATEMENT

Pursuant to the provisions of the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the Management of Fraport Slovenija, d.o.o. hereby provide the following Corporate Governance Statement for the period from 1 January 2018 to 31 December 2018.

The sole member in Fraport Slovenija is a public limited company that is committed to upholding the corporate governance code for public limited companies in the Federal Republic of Germany (https://www.dcgk.de/en/home.html).

Fraport Slovenija does not uphold the national corporate governance recommendations in its operations. As a limited liability company under the 100% ownership of the sole member, in its operations the company follows the requirements of the sole member, which sets out the company's governance and business policies in the form of joint policies at the level of all the affiliates. In particular, the company is required to apply the policy relating to internal controls and the management of conflicts of interest.

The company does not pursue a specific diversity policy.

1.4.1 INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT IN THE COMPANY

Fraport Slovenija, d.o.o. has a diverse mechanism of internal controls and risk management in connection with the financial reporting process. The aim of the system of internal controls is to comply with applicable legislation and regulations, to meet the company's strategic objectives and to implement its strategy, to reduce risks in connection with the company's operations, and to ensure the accuracy, completeness and reliability of financial reporting. The aforementioned system was adapted to the group's system of internal controls. In parallel the company continued in 2018 the re-engineering of business processes, which is tailored to its new organisational scheme. All contacts between various processes and newly established processes were identified and defined, depending on the needs of the activity. Each business process also includes reference documentation as the basis for its implementation. We created a new integral whole for comprehensive management of the processes and their corresponding risks and internal controls. The company has made a start on defining efficiency and performance indicators, and methods for controlling and measuring the effectiveness of individual processes. A systemic approach was taken to the risks that can arise in individual activities within processes, and to the internal controls for managing these risks.

As is the practice at group level, the internal controls take account of the COSO standards for the purpose of identifying, measuring and managing the risks arising in business processes.

Internal auditing

In organisational terms, the internal audit department reports directly to the Management, and is separate from other organisational units. Internal auditing has been conducted at the company since 2000. The basic area of operation comprises the internal control of all business and other risks to which the company is exposed. When assessing whether internal controls are appropriate and fit for their intended purpose, the permanence and reliability of their functioning are also examined.

Internal auditing audits specific business processes and procedures that impact the achievement of operating objectives. Internal auditing proposes improvements to business processes, thus making a significant contribution to increasing the effectiveness of business operations, the transparency and reliability of information. The internal auditor reports on its work directly to the company's Management.

External auditing

On the basis of a resolution of the Investors Committee passed on 11 April 2018, the company's financial statements for 2018 were audited by PwC Slovenija, d. o. o., Ljubljana.

1.4.2 COMPOSITION AND FUNCTIONING OF MANAGEMENT AND SUPERVISORY BODIES

The governance and management of Fraport Slovenija, d.o.o. is based on the law, the company's articles of association and the company's governance policy.

The company is governed by its sole member which has a final responsibility for issues relating to the company's business.

The sole member exercises its powers via resolutions passed by authorised representatives of the sole member or, when the sole member so decides, by the Investors Committee, which acts on behalf of the sole member.

The sole member has the power to decide on all issues in connection with the company, except where this power is explicitly reserved for others in accordance with the law or the articles of association.

The sole member passes resolutions whenever necessary, although in any case at least once a year it adopts an annual report, and makes a final decision on the distribution or reinvestment of the company's earnings for the financial year and a final decision in connection with the appointment of an auditor.

Investors Committee

Via the resolution establishing an Investors Committee, the sole member may authorise the Investors Committee to exercise all or some of its powers in connection with the company on its behalf.

The Investors Committee consists of three members appointed by the sole member. In 2018 there was a replacement of the Chairman of the Board, till 30 April 2018, the chairman was Christoph Nanke, from 1 May 2018 till 30 June 2018 Alleta Von Massenbach and from 1 July 2018 on Holger Schaeffers. Other two members are dr. Pierre Dominique Prümm (Deputy chairman) in Kai Peter Holger Zobel (member), all from the company Fraport AG Frankfurt Airport Services Worldwide.

The Investors Committee has the authorisations set out by the sole member's resolution establishing an Investors Committee, or by the company's bylaws when such bylaws are adopted by means of a resolution by the sole member Fraport AG.

Management of the company

The everyday operations of the company Fraport Slovenija, d.o.o. are managed by the company's management. The management manages the company's operations, is authorised to act as statutory representative for the company and to act on behalf of the company in legal transactions with third parties, and has other authorisations set out by the articles of association or by a resolution by the sole member.

Zmago Skobir is the managing director of the company. He graduated from the Faculty of law, the University of Ljubljana and passed the bar examination at the Higher court in Ljubljana and his specialisation at the Faculty of law in Belgrade. He has long experience in the field of aviation and tourism.

The company’s management consists of a managing director. The company’s outward statutory representation is undertaken by the managing director and one procurator.

Business Advisory Board

Key tasks of the Business Advisory Board are advising and providing expert support to the senior management, the Investors Committee and the owner on matters of importance to the company’s development, key economic subjects, the aviation and airport sector, and other significant challenges to the company’s business policy.

The Business Advisory Board held one meeting in May 2018, at which it discussed about the further aviation and commercial development of the company and the involvement of the company in the strategy of Slovenian tourism.

1.5 DECLARATION IN ACCORDANCE WITH ARTICLE 545 OF THE ZGD-1

In the circumstances known to us at the moment when each of the legal transactions was executed, Fraport Slovenija, d.o.o. obtained appropriate consideration in each of its legal transactions with the controlling company Fraport AG and its affiliates, and did not suffer any deprivation. Neither was any act committed or omitted whereby Fraport Slovenija, d.o.o. would incur any damage that would be the result of the influence of the controlling company Fraport AG over Fraport Slovenija, d.o.o.

2 COMPANY OPERATIONS IN 2018 AND PLANS FOR 2019

2.1 SITUATION IN EUROPEAN AVIATION

The aviation industry is one of the most important overall factors of economic growth in Europe. According to ACI Europe, an increase of 10% in the total number of air connections entails an increase of 0.5% in gross domestic product per capita (GDP).

Passenger air transport is continuing to break records. Last year passenger numbers exceeded 4 billion for the first time, as recorded by the International Air Transport Association (IATA).

Eurocontrol reports that European air traffic in 2018 was up 3.8% on the previous year, with a record number of 11,011,434 flights, equivalent to an average of 30,168 flights per day. In 2018, more than 36,000 flights were recorded within 19 days. The heaviest traffic was on 7 September 2018, when a record number of 37,101 flights were recorded. The record year was strongly influenced by the strong growth of traffic in November 2018 (4.2%) and in December 2018 (5.2%).

According to ACI Europe, European airports have undergone a great transformation over the last two decades, from companies just offering infrastructure, to companies competing for aviation passengers and traffic in a liberalised European market. Today, 80% of Europe's corporate airport managers are in the process of increasing private sector involvement, especially at major airports.

In this context the airport economy is gaining a central role, while questions of financing and ownership are having a major impact on the future development of airport infrastructure in Europe. The challenges of financing large, long-term infrastructure projects have increased significantly: while public financing became more limited, partly as a result of increased budget restrictions at the national level and at EU level, access to the capital markets became much more difficult as a result of the global financial crisis.

At the same time European airports are one of the most important players in the region that they serve. Their economic impact is far-reaching: airports directly employ a large number of employees, support numerous jobs and promote the development of tourism and other businesses.

Now more than ever airports will try to attract new airlines, and airlines increasingly have options to expand their route maps. The differences in business models between traditional and low-cost airlines are reducing. Ten years ago, no-one would have expected Ryanair to have its own base at Frankfurt Airport, or that Norwegian would be operating intercontinental flights. It is obvious that passengers place more weight on a good flight schedule, direct flights and flight frequency than on airline brands.

Further evidence of the realisation of the aviation strategy comes from the negotiations on bilateral agreements between the EU and third countries such as ASEAN, Turkey and the Gulf states. The aim of these agreements is opening markets while ensuring fair competition for all participants. The retention of the open skies agreement and a level playing field with the UK after Brexit will also be of vital importance to European aviation.

The EU’s high standards for safety, security, the environment, social issues and passenger rights are being maintained, and progress is being made in innovations, digital technology and investment.

The outlook for the aviation industry remains positive in 2019, and all indicators show a further but much more moderate growth. The uncertainty indicative of a certain level of global economic and political tension is causing certain reservations with regard to the development of the sector. According to certain studies and commentaries, the uncertainty is there because of the limited potential for increasing the capacity of European airports (according to a Eurocontrol study, the maximum possible increase is 16%), and limits in technological innovation, particularly in accelerating departure and landing procedures.

2.2 ECONOMIC SITATION IN SLOVENIA

In 2018, the economic growth in Slovenia was higher than the average of the Euro zone. High economic growth continued, mainly due to accelerated export growth and greater investment dynamics. The trend from 2017 continued, the increase in the number employment and the reduction in the number of unemployed continued, and salary growth rose even higher than in 2017.

The trend of foreign demand growth in the country continued, in the same as in most of the main trading partners of Slovenia. Export efficiency has improved, and consequently also import efficiency.

The growth in construction sector, the disposable income of households, including the higher spending of foreign tourists and the growth of external trade, encouraged the continuation of a relatively high growth in turnover in trade and services. According to the first known estimates, Slovenia again recorded a 5% economic growth.

Strengthening the services sector is also reflected in the rising growth in the price of services. Higher prices also contributed to the growth of oil products. According to the first data for 2018, the gross domestic product (GDP) amounted to EUR 45,948 million, which is 6.9% more than in 2017.

The expectations of analysts and Slovenian companies indicate a further slowdown in the growth of the export-oriented economy, but the outlook remains positive. Predictions of competent organizations range from 3.1% (European Commission), 3.4% (International Monetary Fund) to 3.7% (Umar) economic growth. The slowdown is greatly contributed by the political uncertainty on global level, unresolved trade disputes, as well as the growing distrust of businesses and consumers.

2.3 MARKET POSITION AND MARKETING ACTIVITIES OF THE COMPANY

2.3.1 MARKET POSITION

The highest growth of all the airports in the region in 2017 (19.8%) was a great challenge for Fraport Slovenija. Other than Trieste, all the competing airports in the region succeeded in increasing their passenger numbers in 2018. Ljubljana Airport was again among the fastest-growing, with an increase of 7.7%.

It is obvious that all of our competitors are striving to improve their networks and to attract passengers that usually use other neighbouring airports. It is also vital to have well-developed land connections with the airport's catchment area. Accessibility and good road connections allow passengers from our potential catchment area, which reaches up to 250 km from the airport, to quickly and continually adapt their travel habits and their choice of airline and airport to airline ticket prices, and to make their choice contingent on other personal benefits. As stated before, passengers are increasingly giving precedence to a good flight schedule, direct flights and flight frequency than to the airline brand.

Ljubljana Airport benefits from a bus service to Kärnten in Austria that runs three times a day for the whole of the year, but it does not yet have a rail link to Ljubljana city centre. With the reestablishment of the Ljubljana-Trieste rail link in 2018, this problem has become even more pressing.

A great advance was made in 2018 when the Slovenian Tourist Board accepted Fraport Slovenija's initiative under its strategy for the sustainable development of Slovenian tourism for the 2017 to 2021 period, and recognised the need for the systematic promotion of Slovenia as an air travel destination in selected foreign markets. It set out a development model for increasing Slovenia's accessibility by air. A public tender is scheduled to begin in 2019. Airlines could be encouraged to introduce new destinations or to add to their flight frequencies at Ljubljana by having funds earmarked for marketing and promoting these flights.

The breakdown of passengers at the airport remains the same, the reasons for their traveling are business, leisure and private purposes. Marketing activities are an important factor, but not the only factor in increasing passenger numbers, the number of airlines and cargo tonnage. The small size of the market and the individual market segments, and the diverse travel needs of passengers in the region mean that the company focuses its marketing policy on all passenger segments.

2.3.2 TRAFFIC AND AIRPORT SERVICES

	Realisation		Index	Proportion (in %)	
	2018	2017	18 / 17	2018	2017
NO OF PASSENGERS	**1,818,229**	**1,688,558**	**107.7**	**100.0**	**100.0**
PUBLIC TRANSPORT	1,812,411	1,683,071	107.7	99.7	99.7
Domestic carriers	1,024,778	985,555	104.0	56.4	58.4
Foreign carriers	787,633	697,516	112.9	43.3	41.3
GENERAL AVIATION	4,671	4,506	103.7	0.3	0.3
OTHER	1,147	981	116.9	0.1	0.1
AIRCRAFT MOVEMENTS	**35,512**	**34,444**	**103.1**	**100.0**	**100.0**
PUBLIC TRANSPORT	27,231	26,045	104.6	76.7	75.6
Domestic carriers	17,651	17,166	102.8	49.7	49.8
Foreign carriers	9,580	8,879	107.9	27.0	25.8
GENERAL AVIATION	7,128	7,319	97.4	20.1	21.2
OTHER	1,153	1,080	106.8	3.2	3.1
MTOW	**1,340,912**	**1,249,795**	**107.3**	**100.0**	**100.0**
PUBLIC TRANSPORT	1,252,520	1,166,018	107.4	93.4	93.3
Domestic carriers	738,102	680,294	108.5	55.0	54.4
Foreign carriers	514,418	485,724	105.9	38.4	38.9
GENERAL AVIATION	30,655	29,990	102.2	2.3	2.4
OTHER	57,737	53,787	107.3	4.3	4.3
CARGO TRANSPROT (in tonnes)	**26,044**	**24,314**	**107.1**	**100.0**	**100.0**
Aircraft	10,903	10,961	99.5	41.9	45.1
Truck	13,265	11,362	116.7	50.9	46.7
Mail	1,475	1,367	107.9	5.7	5.6
Other	401	625	64.2	1.5	2.6

The high growth in 2018 represented record passenger numbers and record cargo tonnage. Slovenia's largest airport served 1,818,229 passengers in 2018. The number of aircraft movements was up 3.1% on the previous year.

With new destinations Brač, Dubrovnik, Düsseldorf, Geneva, Hamburg, Bucharest, Sofia and Berlin, Ljubljana strengthened its role in 2018 with a good connection between the Balkans and Western Europe. There were scheduled services from Ljubljana to 34 destinations in 24 countries in the summer timetable, and to 25 direct destinations in 20 countries in the winter timetable.

The largest contribution to the increase in passenger traffic is coming from Adria Airways, easyJet and Turkish Airlines. Unfortunately, the majority of Adria Airways' new destinations did not meet the expectations, which led to the withdrawal of the services to Hamburg, Bucharest and Düsseldorf, and the suspension of flights to Geneva in the 2018 winter timetable. The routes to Warsaw and Kiev were also withdrawn.

Low-cost airlines increased their presence, and accounted for 19.6% of all passengers. The growth in this segment was largely attributable to the extra flights operated by Transavia, and to easyJet's new destination of Berlin. The latter also strengthened its presence at London Stansted all year.

Other scheduled airlines also recorded a rise in passenger numbers at Ljubljana Airport in 2018, most notably Poland's LOT, which added a weekly flight to Warsaw. Charter services saw even stronger growth than scheduled services: passenger numbers were up 23.9%. The largest numbers of charter passengers in the summer were recorded by Mediterranean destinations, Greece, Turkey and in Tunisia.

Fraport Slovenija's marketing activities helped to increase foreign airlines' passenger numbers, which were up 12.9% in 2018. Joint advertising campaigns with airlines helped the company convince passengers to choose Ljubljana Airport for their travel. As in previous years, Fraport Slovenija maintained their presence in the brochures of its travel agency partners.

Cargo tonnage at Ljubljana Airport was up 7.1% on the previous year, as air tonnage declined by 0.5%, but truck tonnage increased by 16.7%. We have taken advantage of the favourable economic conditions to record high growth in cargo on both the import and export sides.

Commercial activities

Our commercial activities continue to address the food and retail services at the airport, the airport transport links, parking and advertising. We are focusing on the quality of service, user satisfaction, and consequently on our own performance.

In 2018 we succeeded in taking several strategic steps providing for further development in the project Ljubljana Airport City, and in the development of aircraft maintenance, repair and overhaul (MRO) at the airport. We have completed the consolidation of land for beginning the project, started building a communal infrastructure and changed the municipal spatial plan, all of which gives us and the investors greater flexibility and a wider spectrum for use of individual areas within the Ljubljana Airport City project. In addition to formulating the technical preconditions, we successfully completed the reconstruction of the hangar building for TNT Express Worldwide d.o.o., and began contract negotiations with the logistics firms that are planning to build facilities on our land. The progress of the logistics firms goes hand in hand with the growth in our cargo tonnage. To help ensure satisfaction on the part of our passengers, we started talking with investors in the hotel industry who are interested in building an airport hotel. All of these activities will have a positive impact on the airport community as a whole, and on the sustained development of Fraport Slovenija's commercial services.

In the past year, we started also the renovation and modernization of advertising media in the passenger terminal and outside it. We put in place a network of digital advertising media in the departure and arrival lounges, giving advertisers more opportunities to use flexible and targeted advertising on advanced media, and to optimise media aimed at short-term advertising. In the summer we embarked on the seasonal surveying of passenger profiles at Ljubljana Airport, which will give current and potential advertisers and tenants in-depth insight into target groups of passengers at the airport, thereby reinforcing the strength and reach of advertising at the airport.

Together with our existing partners we are continuing to work on improving quality of service in our food and retail activities. By identifying needs, we have adapted to the requirements of passengers and other customers of the airport. A food unit in the pre-security section of the terminal was refurbished at the end of the year, and now offers a dining experience in a quiet, modern setting, and we have also focused much attention on planning new opportunities in the coming years.

We have expanded our services in the area of shuttle transport and car sharing. Fraport Slovenija offers the shared use of electric vehicles, in line with its sustainability policy. In addition, we have also organised parking space exclusively for rent-a-car services.

We pay a great deal of attention to regularly monitoring the needs and wishes of airport users, while at the same time striving to exceed their expectations.

Better surveys, better services

In both segments of our business activities, airport services and commercial services, we monitor the needs and desires of the users of these services, thereby identifying our strengths and weaknesses, and improving company performance and user satisfaction.

Through complaints management and the deliberation of suggestions the company strives to understand users' current and future needs, while it aims not only to meet their requirements, but to exceed their expectations. All the complaints and instances of positive feedback were handled with due seriousness and officially recorded, the deficiencies and irregularities were rectified by means of corrective measures, and a response was sent to all complainants.

In addition to systematic monitoring, two other methods are used to support the determination of user satisfaction. Mystery shopping was used to check the quality of various services at the airport, whether provided by Fraport Slovenija or by external partners. Another method for determining passenger opinion of the quality of service at the airport was the fun, user-friendly device, nicknamed Sophie. By pressing a button corresponding to one of four different levels of satisfaction, customers are able to express their opinion about the quality of a service or facility in a quick and easy manner.

We highly appreciate passenger's opinion on the quality of the supply at our airport, therefore we are also conducting an annual passenger satisfaction survey, we started to conduct a more detailed survey of the profile of our passengers in 2018.

2.4 ANALYSIS OF PERFORMANCE

2.4.1 OPERATING PROFIT

	Realization		Index	Proportion (in %)	
in thousand EUR	2018	2017	R18 / R17	R18	R17
Operating revenues	**46,483**	**41,890**	**111.0**	**100.0**	**100.0**
Net sales revenue	46,258	41,673	111.0	99.5	99.5
Other operating revenues	225	217	103.7	0.5	0.5
Operating expenses	**31,980**	**30,203**	**105.9**	**100.0**	**100.0**
Costs of materials and services	11,368	10,717	106.1	35.5	35.5
Costs of materials	1,995	1,689	118.1	6.2	5.6
Costs of services	9,373	9,029	103.8	29.3	29.9
Labour costs	15,310	13,073	117.1	47.9	43.3
Depreciation/amortisation	4,609	4,356	105.8	14.4	14.4
Other operating expenses	692	2,057	33.7	2.2	6.8
Operating profit before interest, taxes and depreciation/amortization - EBITDA	**19,112**	**16,042**	**119.1**	**41.1**	**38.3**
Operating profit - EBIT	**14,503**	**11,686**	**124.1**	**31.2**	**27.9**
Net finance income/expenses	**-327**	**-113**	**289.6**		
Finance income	53	239	22.3		
Finance expenses	380	352	108.0		
Profit (or loss) before tax	**14,177**	**11,573**	**122.5**		
Income tax expense	2,307	1,927	119.7		
Deferred tax	-34	108	-31.7		
Net profit	**11,870**	**9,647**	**123.0**		

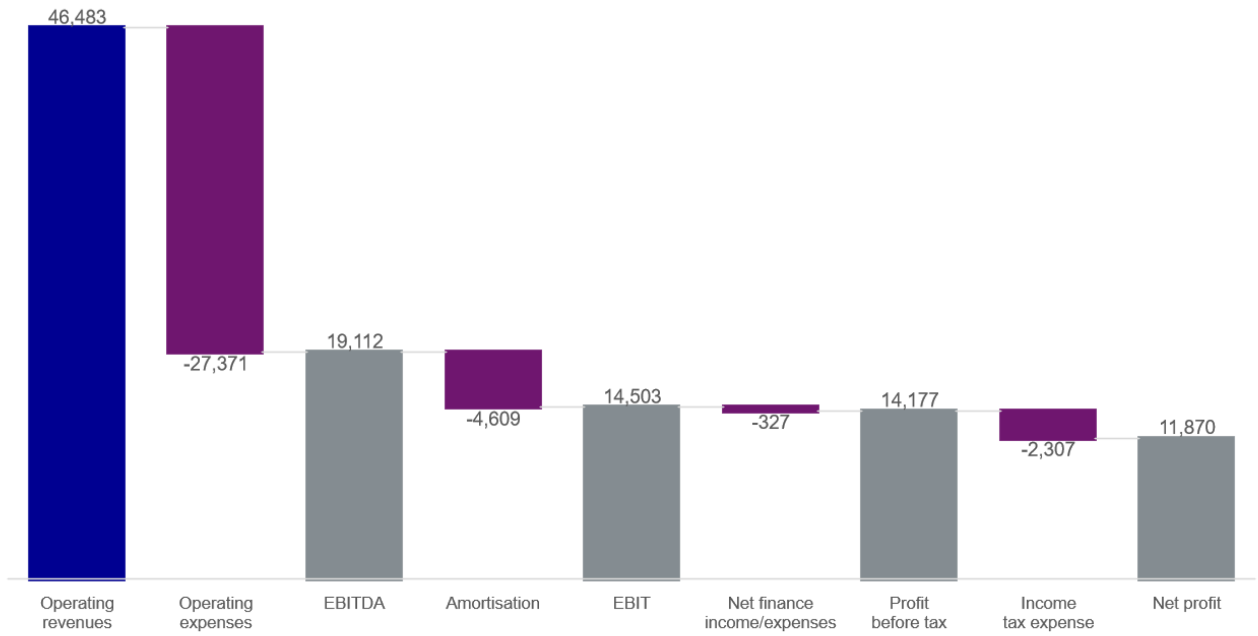
The year 2018 was very successful for Fraport Slovenia, ending the calendar year with record passenger numbers and record cargo traffic, and introducing new commercial activities. We exceeded successful year 2017. The highlights of the financial year included new routes and increased frequencies on established routes, charter airlines, the purchase of new rental space and other commercial activities.

We ended the year 2018 with profit before interest, taxes and depreciation (EBITDA) in the amount of EUR 19,112 thousand, up EUR 3,070 thousand on the same period last year.

Operating revenues amounted to EUR 46,483 thousand, up 11% on 2017. Operating expenses amounted to EUR 31,980 thousand, up 5.9% on 2017.

EBIT amounted to EUR 14,503 thousand, up 24.1% on 2017. Finance income has decreased due to the sale of the majority of non-current financial assets in 2016 and minor share in 2017 means negative finance result in 2018 for EUR 214 thousand compared to 2017.

Pre-tax profit in 2018 amounted to EUR 14,177 thousand and net profit amounted to EUR 11,870 thousand were both up on 2017.

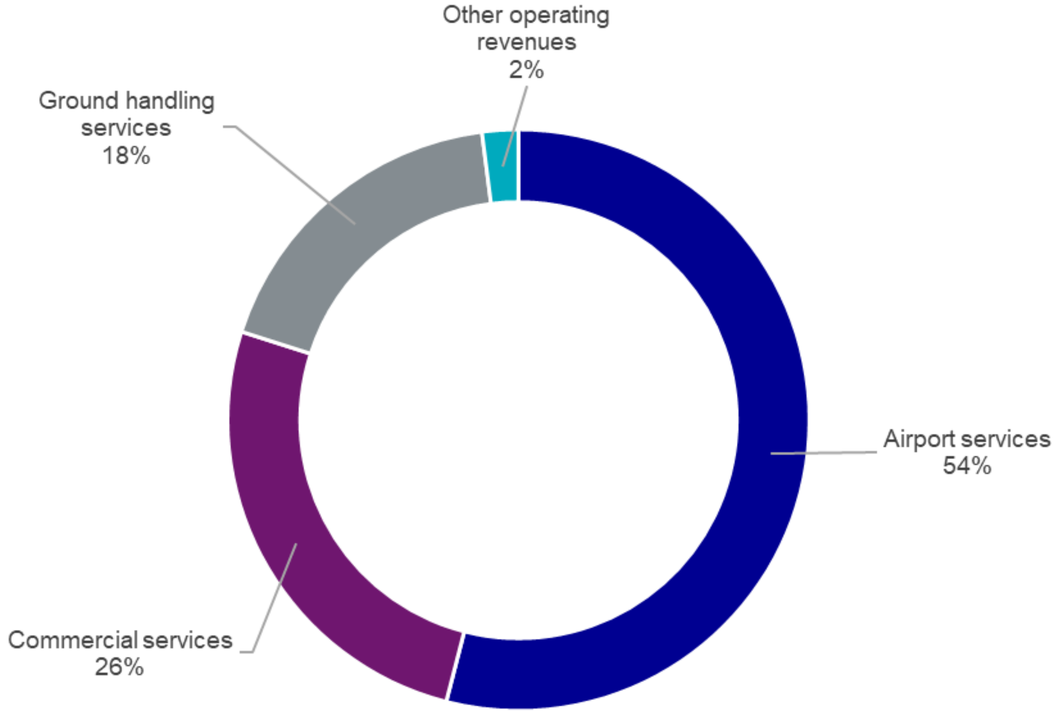


Graph 1: Net profit

Operating revenues

in thousand EUR	Operating revenues 2018	Operating revenues 2017	Index R18 / R17
Airport services	25,100	22,639	110.9
Commercial services	12,052	10,602	113.7
Ground handling services	8,396	7,740	108.5
Other operating revenues	935	908	102.9
OPERATING REVENUES	**46,483**	**41,890**	**111.0**

Operating revenues amounted to EUR 46,483 thousand in 2018, up 11% or EUR 4,593 thousand on 2017. The increase in 2018 was a reflection of the continuous trend of the previous year and increase in foreign airlines' traffic and domestic airlines' traffic, and the increase in revenues from commercial services.



Graph 2: Structure of operating revenues

From the prospective of operating revenues by type of service, the increase in foreign airlines' traffic meant that both, revenue from airport services and revenue from ground handling services were up on 2017. In the segment of revenues from commercial services, we mostly increased our revenues from education services,

From the newly established Aviation Academy on the market, and from food services rents, when in 2017, together with our partners, more attractive locations were found, and the services were tailored more to the current requirements of the market. Collaboration with providers of shuttle transports and car sharing was also continued and strengthened, whereby further increasing parking revenues and warehouse logistic services.

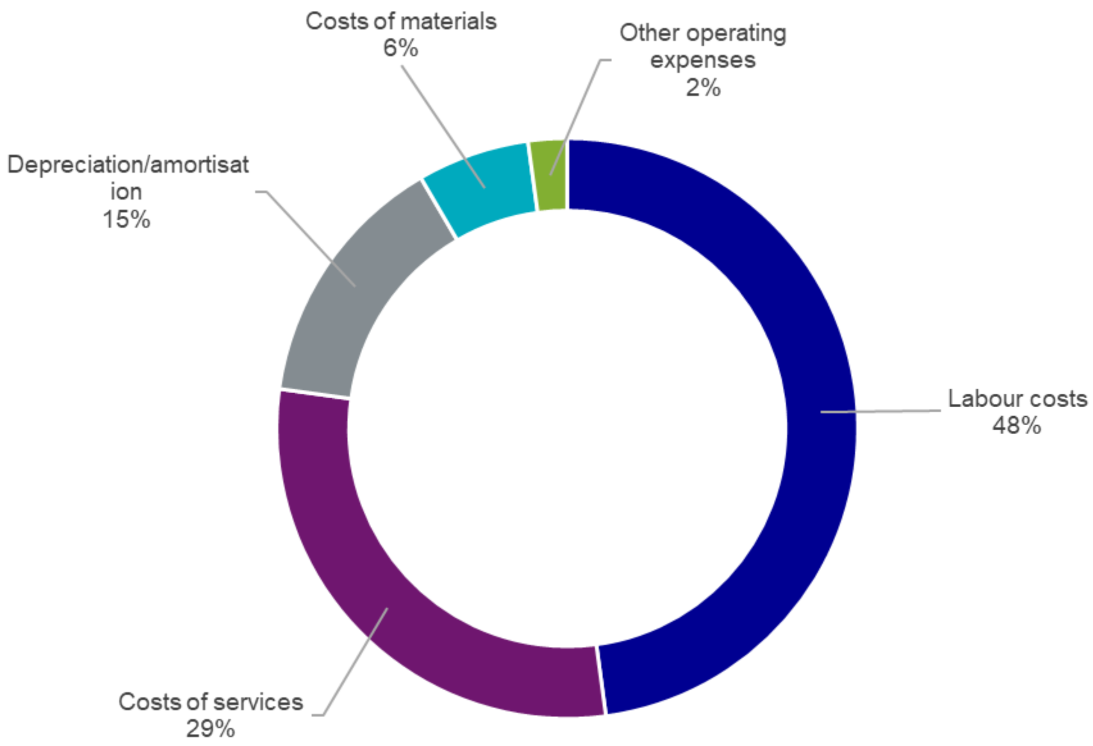
Operating expenses

in thousand EUR	Operating expenses 2018	2017	Index R18 / R17
Labour costs	15,310	13,073	117.1
Costs of services	9,373	9,029	103.8
Depreciation/amortisation	4,609	4,356	105.8
Costs of materials	1,995	1,689	118.1
Other operating expenses	692	2,057	33.7
OPERATING EXPENSES	**31,980**	**30,203**	**105.9**

Operating expenses amounted to EUR 31,980 thousand in 2018, up 5.9% on 2017.

Operating expenses are disclosed in greater detail in chapter 5.2.2 of the Financial Report.

In the structure of operating expenses labour costs are the main category, followed by costs of services, amortisation and depreciation, costs of materials and other operating expenses. The proportion of labour costs was higher due to increase of salaries and new employments. Other operating expenses decreased, as the majority is relating to T2 write off from 2017 (in amount of EUR 1,642 thousand), the costs of services, materials and amortization and depreciation remained at the same level as the previous year.

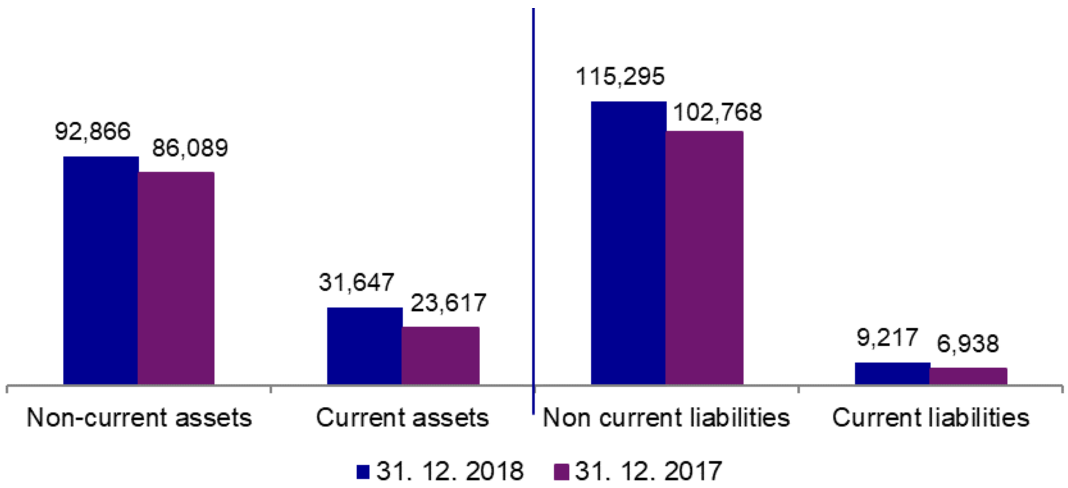


Graph 3: Structure of operating expenses

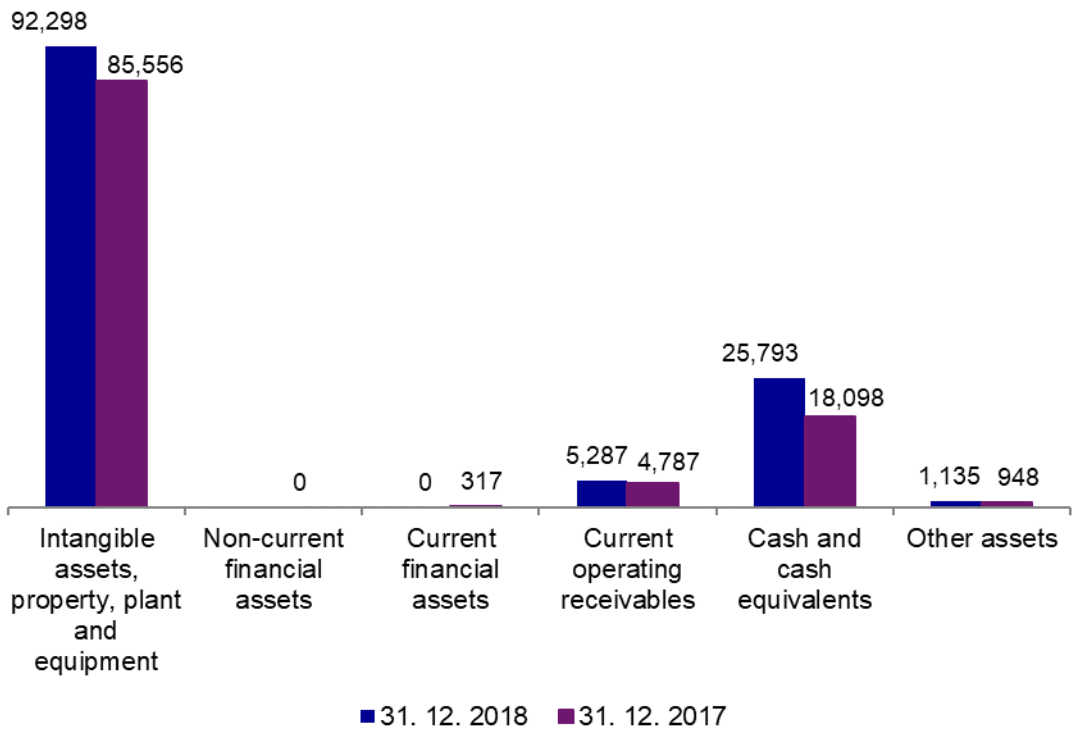
Energy costs *(electricity, heating fuel and motor fuel)* presented more than for half of all costs of materials, while other major items included consumable materials, materials for current maintenance, cleaning materials and uniforms. Security services represented almost a quarter of all costs of services, while the other major items are maintenance services, marketing services, services related to airport services, intellectual services, Civil Aviation Agency services, and insurance premiums.

2.4.2 STATEMENT OF FINANCIAL POSITION

in thousand EUR	31. 12. 2018	31. 12. 2017	Index 18 / 17	Proportion (in %) 2018	2017
ASSETS	**124,513**	**109,706**	**113.5**	**100.0**	**100.0**
Non-current assets	**92,866**	**86,089**	**107.9**	**74.6**	**78.5**
Intangible assets	9,955	9,230	107.9	8.0	8.4
Tangible assets	82,343	76,326	107.9	66.1	69.6
Other non-current assets	568	533	106.5	0.5	0.5
Current assets	**31,647**	**23,617**	**134.0**	**25.4**	**21.5**
Cash and cash equivalents	25,793	18,098	142.5	20.7	16.5
Current operating receivables	5,287	4,787	110.4	4.2	4.4
Other current assets	567	732	77.5	0.5	0.7
EQUITY AND LIABILITIES	**124,513**	**109,706**	**113.5**	**100.0**	**100.0**
Equity	**105,480**	**93,546**	**112.8**	**84.7**	**85.3**
Non-current liabilities	**9,815**	**9,222**	**106.4**	**7.9**	**8.4**
Current liabilities	**9,217**	**6,938**	**132.9**	**7.4**	**6.3**



Graph 4: Assets, equity and liabilities by maturity



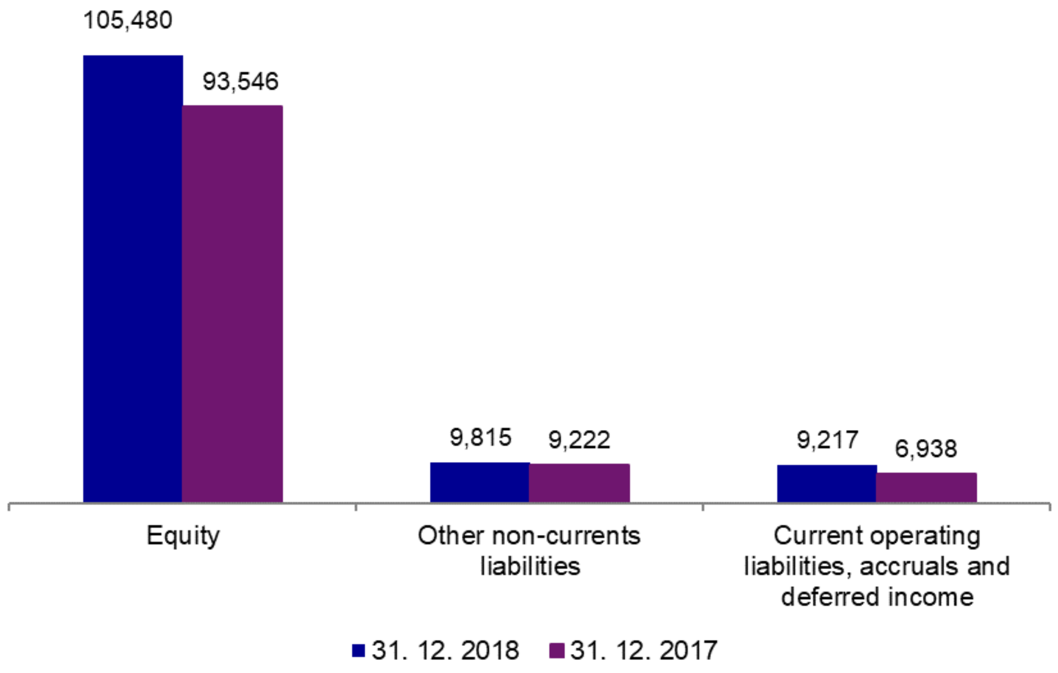
Graph 5: Assets

Non-current assets accounted for 74.6% of total **assets**. Property, plant and equipment was up 7.9% from 31 December 2017.

Current assets, which accounted for 25.4% of total assets as at 31 December 2018, were up 34% on 31 December 2017. Cash and cash equivalents had increased to EUR 25,793 thousand as at 31 December 2018. Short term operating receivables amounted to EUR 5,287 thousand are higher than on 31 December 2017 due to higher traffic.

Non-current liabilities amounted to EUR 115,295 thousand or 92.6% of total equity and liabilities, and are used to finance all of the company's non-current assets and a significant proportion of its current assets. Equity accounted for the majority of non-current liabilities amounted to EUR 105,480 thousand or 84.7% of total equity and liabilities. They primarily comprised non-current operating liabilities accounted for 7.9% of total equity and liabilities, which mostly related to liabilities from general superficies.

Current liabilities accounted for 7.4% of total equity and liabilities, and primarily comprised current operating liabilities amounted to EUR 8.446 thousand or 6.8% of total equity and liabilities. The figure was up 34.6% (EUR 2,170 thousand) on 31 December 2017, due to higher liabilities to suppliers.



Graph 6: Equity and liabilities

The company had no financial liabilities as at 31 December 2018.

More detailed notes on individual balance sheet items are given in chapter 5.1 of the Financial Report.

2.4.3 FINANCIAL MANAGEMENT

Liquidity was maintained at a high level in 2018, as a consequence of the company's good performance. The company is regularly settling its operating liabilities. In line with the group's financial policy, free cash flow is maintained in accounts at commercial banks.

The company is primarily financed via equity. The investments made in recent years have been financed in full by internal resources, and the company has no financial liabilities. Non-current operating liabilities disclosed in the balance sheet as at 31 December 2018 primarily relate to liabilities for the general superficies fee.

Given the company's asset position, and the structure of its equity and liabilities, and under the assumption that customers continue paying regularly for its services, in 2019 there is again no planned requirement for any external financing.

2.5 INVESTMENTS

A total of EUR 11,118 thousand was invested in infrastructure and equipment in 2018, of which EUR 6,511 thousand was related to infrastructure and related equipment and land, while the remaining investments were done on new airport equipment (EUR 2,992 thousand) and for IT equipment (EUR 1,615 thousand).

In thousand EUR	2018	2017	Index 18 / 17
Intangible assets	578	604	96
Infrastructure and related equipment, land	6,511	3,618	180
IT equipment (hardware)	1,037	217	477
Airport equipment	2,992	1,032	290
Total	**11,118**	**5,471**	**203**

At its session in April 2017 the Investors Committee took a decision and gave the approval for terminal expansion. The new passenger terminal will bring an extra 8,700 m2 of floor space, and will be completed by summer 2021. A project for obtaining a building permit and a project for the execution of works was carried out by the end of 2018. With the expansion of the passenger terminal, our infrastructure is being adapted to the rapid growth in passenger numbers and the strategy outlined for the development of the airport.

The new regional road from Kranj to Spodnji Brnik was opened in January 2018. Construction on the road began in the middle of 2016 and was completed at the end of 2017, at a total cost of EUR 5.5 million (Fraport Slovenia contributed EUR 1.2 million).

The road connecting the main regional road with the airport infrastructure was also completed. We started with the further development of the business logistics zone and the construction of a network of internal roads. This will allow further construction on land north of the current road, and on other land right next to the airport.

We completed the construction of Fraport Aviation Academy and the construction of warehouse and premises for TNT d.o.o., which represented the majority of investment in infrastructure.

In 2018 we invested EUR 2,992 thousand in airport equipment. The company invested EUR 1,615 thousand in computer equipment, of which EUR 578 thousand in software and EUR 1,037 thousand in hardware.

2.6 FRAPORT AVIATION ACADEMY

In November 2016 Aviation Academy was established at Ljubljana Airport, the operation of which was entrusted to Fraport Slovenija. The main purpose to establish the academy was to meet educational needs of the airports from Fraport Group and from the wider market.

Fraport Aviation Academy aims to be the leading skills academy in the worldwide aviation industry by passing knowledge and linking different areas of aviation into an integrated learning concept, in order to raise the professionalism of all accountable staff at airports, through quality training and education process.

Aviation Academy is currently offering 68 trainings in the fields of airport operation, aircraft ground handling, airport rescue and firefighting and rescuing, and crisis response, air traffic control and airline. Among these, also a new Heliport training course, which was certified by Civil Aviation Agency Slovenia. With this, Fraport Aviation Academy is the provider, which can provide such training for the Slovene market. The training was also internationally introduced in the Broken Wing exercise 2018, which was successfully organized by Fraport Slovenija, in cooperation with Aircraft Accident and Incident Investigation Board and the Ministry of Interior's National Forensic Laboratory. The academy was invited to participate in several different events, round tables, case studies and lectures, through which it was possible to additionally share the importance of safety and security.

By using the training ground at Frankfurt Airport, the Training Centre for civil protection and disaster relief at Ig and providing training at client's location, the academy successfully conducted, from the second half of 2018 till the end of it, 20 courses for 33 different clients, together 260 participants from all around the World. More courses will be implemented from beginning of March 2019, when the official Fraport Aviation Academy training center will open its door to the public.

The academy also developed a study programme in the area of crisis management, in cooperation with the University of Maribor faculty of organisational sciences in Kranj in 2017, which was internationally recognized, to integrate knowledge of different fields.

2.7 EMPLOYEES

The company had a headcount of 483 on 31 December 2018, of whom 474 were permanent and 9 were temporary employees. The gender breakdown was 75.6% men (365 in all), 24.4% women (118 in all). The headcount was up 55 on 31 December 2017.

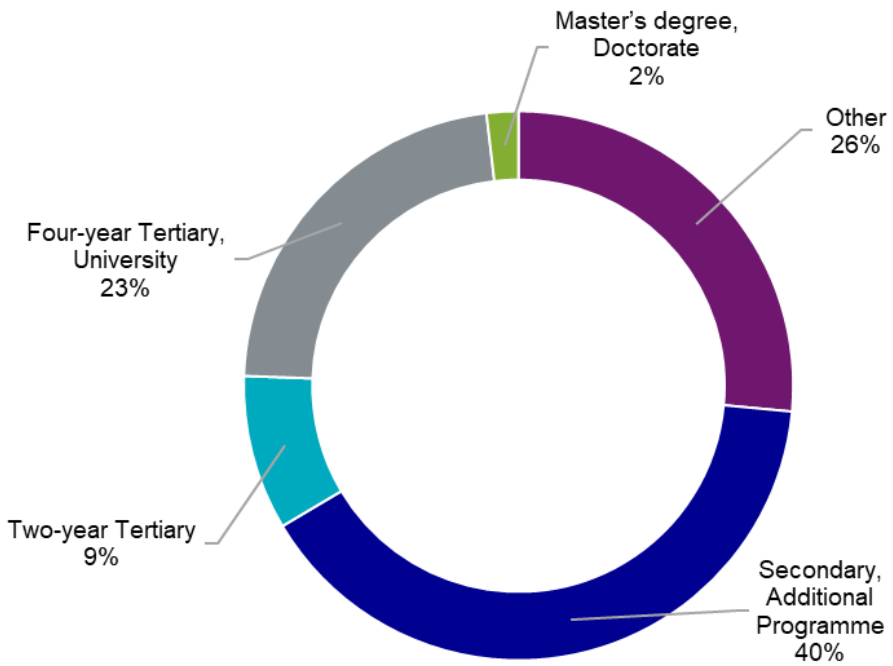
Age structure of employees

The average age of the workforce was 41.43 at the end of 2018.

Some 305 employees are aged between 31 and 50 (63.15% of the total), 85 are aged between 19 and 30 (17.6%), and 93 are 51 or older (19.25%).

Education structure

Promoting employees to increase the educational level is reflected in the change in the educational structure as at 31 December 2018, as compared to 31 December 2017, there were 14 more employees with higher qualifications (2 with master's degrees, 2 university level qualifications, 6 two-year tertiary and 4 with a secondary vocational education).



Graph 7: Education structure

Cooperation with education institutions, work experience

Practical training was provided in 2018 for four university students and seven school students from eight different schools and faculties. A total of 1,670 hours of training was provided.

Education of employees

Staff training is one of the strategic priorities at the company, as top-level employees have traditionally been one of our competitive advantages. As a high service company, we encourage in-house training, and also training at educational institutions inside and outside Slovenia.

More emphasis we placed on education tailored to the requirements of work processes, education of managers, transition to new information systems and security in the company and security on the airport area in 2018.

We build employee loyalty on the basis of continuous, honest and comprehensive information and with an open dialogue thus contributing to a more relaxed organisational climate. Satisfaction with working conditions and interpersonal relations actively contributes to commitment and motivation of all employees. We focus on the appropriate number of employees, the composition and commitment of employees for renewed and optimized processes.

We again proved that we are working hard to get the Best Employer Award in 2018 sixth award for the fourth consecutive year, which is awarded by Mojedelo.si. Award is a confirmation of the effort that the company invests in market visibility and at the same time reflects our long-standing efforts and our relation based on sustainable relationships with our employees.

2.8 PLANS FOR 2019

Slovenia is forecasting a slowdown in economic growth, like the rest of the European Union (EU) members.

We focus on the increased volume of passenger and cargo traffic as well as commercial activities in 2019. We will continue to implement new marketing activities and to strengthen existing activities to attract new airlines and new destinations with the aim of improving air access to Slovenia, and expanding the set of destinations available on direct routes.

A large part of the marketing of services will continue through direct contact with current and potential business partners. In the segment of tourism trips, we will actively cooperate with tour operators and advertise in their catalogues, thus strengthening synergies for the visibility of the Ljubljana airport.

We are also looking at the growth of cargo transport, as we will gain a lot with the new logistics centers in the area, the first logistics centers will be already operational in 2019. In commercial area we will continue with existing sales strategies and price policy adjusted to our location and services. The capacity and supply will be adapted to the development of traffic and follow the demand of our business partners and end-users. We will monitor shopping trends and customer wishes, and will remain oriented towards diversity, and proactively continue meeting the set and new targets.

We would like to continue to monitor and measure the satisfaction of passengers traveling from Jože Pučnik Airport to the world. We will continue to pursue various surveys and other approaches to measure satisfaction.

In the coming years, even higher use of air transport will be dictated, as assessed by aviation manufacturers, as well as the largest airlines, cargo transport and the development of commercial activities at the airport, in line with the demand of customers. We intend to meet the needs of professional staff within the Fraport Group and the wider market with the new training center, Fraport Aviation Academy.

We will continue to strengthen the good name of the company and strive for the best employer in the region, by increasing air traffic and other activities, as until now.

There will be further increase in investing in infrastructure in the coming year. We will be focusing on the expansion of the passenger terminal, which will be completed in the summer of 2021. A significant portion of the money will be invested for the further construction of internal roads and the renewal of the fire brigade. We will continue with the replacement and purchase of equipment for performing business.

3 RISK MANAGEMENT

The company is now integrated into the Fraport Group compliance system. The Fraport Group has a detailed risk management system that provides for the identification and analysis of risks in the early warning phase, and their management by means of appropriate measures. The company's management is responsible for risk management. The company has a designated risk management officer, and links with the relevant departments at group level.

All changes in domestic and European legislation that could have an impact on the company's performance were monitored regularly, and were appropriately responded to in the form of proposed changes. We regularly monitor the performance of our largest customers, and undertake marketing activities to retain existing traffic and attract new traffic.

The risk monitoring methods at the company allow for an early warning of changes in risks, and rapid action immediately after the identification of any such risk.

The company reports to the group on a quarterly basis with regard to all material risks, the measures to manage these risks, and the changes in the latest reporting period.

Risk management is supported by a diverse mechanism of internal controls and internal auditing (Point 1.4.1 of the Business Report).

Opportunities

While risks entail the threat of the realisation of a specific event with adverse consequences for the company, they also entail opportunities for the realisation of a specific event with beneficial consequences in the financial or operating sense. Internal control system in the company as well as the Fraport Group is an effective and successful means of achieving business goals.

Fraport Slovenija primarily sees opportunities in the market potential of the region, the introduction of regular passenger and freight intercontinental connections, the organisation of the base for an additional airline or major freight forwarding firms, the sale of Aviation Academy services to third parties in cooperation with the Slovenian Tourist Board in the direction of joint attraction of foreign tourists to Slovenia and, last but not least, to develop a business zone and accompanying activities.

Compliance

In the area of compliance, we are integrated into the Fraport Group compliance system.

The Code of Ethics for employees and the Standards of Conduct stipulate the basic principles and rules according to which employees and other persons working in Fraport Slovenija, d.o.o. are bound to act. It comprises the rules and principles observed at the company implements in order to protect employees and the company itself from the risks of breaches, non-performance or non-observance with contractual and other employment obligations and to protect the reputation of the company and each member of staff. An ethics committee oversees the implementation of the Code of Ethics, and its duties encompass the collection, processing and analysis of written and verbal reports of breaches of ethical conduct or other irregularities in the company. The Ethics Committee did not receive any reports of breaches of the Code of Ethics in 2018.

In order to monitor and improve the entire system of compliance, the Compliance Committee was established to examine reports of breach of compliance and to prevent the conflict of interests of employees, to review Statements on family members and to assess the type of conflict of interests and possible consequences. The Compliance Committee dealt with three violations in 2018, which informed the management of the company that took steps to remedy the non-compliance.

4 SUSTAINABLE DEVELOPMENT

For us sustainable development entails more than just the company acting with social responsibility in line with laws, rules and regulations. It also entails us taking responsibility with regard to commerce, environmental protection, and social affairs, in order to enhance broader social wellbeing. Sustainable development is one of Fraport Slovenija's key values. As an employer and a key player in the Slovenian economy, we are aware of the responsibility we have towards our employees, our company, the environment, and other stakeholders. We act sustainably, and base our actions on commercial, environmental and social metrics.

Several years ago, the company undertook environmental commitments and set strategic objectives. These have not changed, and remain our guidance in the company's ongoing activities and development. We will continue to maintain documented and structured quality management and environmental management systems in line with the ISO 9001, ISO 14001 and ISO 45001 standards. We will do everything in our power to minimise noise pollution, and will strive to ensure that it does not exceed the permitted levels. Through various measures we will reduce our carbon footprint, and apply circular waste management and wastewater management. We will increase energy efficiency, and switch to environmentally more acceptable energy resources and renewables. Our status as a reliable, conscientious employer that offers its staff a fair, responsible, safe, friendly and healthy working environment will be maintained. We will also continue to pursue all of our plans in the area of corporate social responsibility, and will engage the broader airport community in sustainability work. The senior management are responsible for adopting the company's sustainability strategy and programme, while all staff are involved in the implementation of the sustainability programme. We are aware that as an airport operator our activities have an adverse impact on the environment, particularly on air quality, noise levels, and biodiversity in the local environment.

The aviation sector is playing an important role in meeting EU climate targets, as it is introducing measures to reduce greenhouse gas emissions. One of the measures is the Airport Carbon Accreditation Programme, which is the only institutionally recognised standard for certifying the management of airport carbon footprint, and in which Ljubljana Airport is a participant. For several years the company has been using electricity generated from 100%-renewable resources, which makes an additional contribution to reducing greenhouse gases and is proof of our commitment to sustainable energy. These greenhouse gas reduction activities are being built on with activities and measures to make office operations greener, for which we were awarded European Green Office (EGO) certification in 2013, retaining it each year since. Aircraft noise is a significant environmental issue, which we manage diligently. It is now ten years since our systematic approach to monitoring noise in the immediate vicinity of the airport was put in place. Measurement terminals were posted in the four residential areas most exposed to noise on the departure and arrival paths. An agreement was reached with the local authorities to restrict night flights over residential areas, as a result of which nocturnal noise indicators are not being transgressed. Because we are aware that lowering noise emissions as far as possible significantly increases the quality of life of local people, we ensure the highest possible level of provision of information on noise level measurements.

In previous years we worked with Slovenia Control, Slovenia's air traffic control service, and other major stakeholders to address the issue of exposure to aircraft noise in the village of Šenčur. In addition to continual noise monitoring, and changes to take-off and landing procedures moving air traffic away from the village, in conjunction with the Ministry of Infrastructure we also sought a suitable location for planting a green anti-noise barrier between the airport and Šenčur. A planting plan was drawn up in conjunction with the Slovenia Forest Service, to identify suitable trees and shrubs and the right plantation methods. Approximately 13,000 saplings of species typical of the forest environment in the vicinity of the airport were planted in late 2016.

The entire European aviation sector also has an adverse impact in contributing to climate change, noise pollution, and reduced air and water quality in the local environment. The key is to identify the adverse impacts in timely fashion, to manage them comprehensively, and to reduce them consistently.

One of our strategic priorities is sustainable coexistence with bird life. The controlled coexistence of aircraft and birds is vital in the airport zone. A completely new approach has been taken to the prevention of birdstrikes. In 2012 we began conducting a long-term ecological study to ascertain the state of local fauna and flora, and to monitor the effectiveness of measures taken. We have sought and introduced methods based on sophisticated systems for monitoring and recording the presence of birds, and on soft approaches to redirecting birds, such as altering the environment that provides them with food sources. In line with the recommendations of the study, more suitable technical means were acquired, and airport staff were trained to carry out the monitoring and deterrence of free-living animals in a safe, effective, but also ethical and legally acceptable way.

At Fraport Slovenija we also measure all other environmental aspects that could have a significant impact on the environment. Legislation requires the company to conduct not only periodic monitoring of environmental noise emissions, but also regular measurements of flue gases from boilers and other heating appliances, and periodic monitoring of wastewater. On 1 June 2018 the entire airport complex was connected to the Domžale/Kamnik central treatment plant. The treatment plant at the airport was demolished. The company reports regularly to the national environmental authorities and agencies on its management of waste and ozone-depleting substances.

Promoting ideas of sustainability and environmental content among the staff is the responsibility of the Green Team, which encourages the pursuit of the objectives set out in the EGO project. One of the objectives realised was the establishment of a station for shared-use electric vehicles at the airport, which is also available to staff on work-related journeys. The expansion of the range of green modes of transportation will contribute to the company’s efforts to reduce its carbon footprint, which is part of its broader stance to limit the harmful effects of its activities on the environment, and its environmental policy, which envisages carbon neutrality by 2025 and sets out the transition to a low-carbon society as one of the strategic environmental objectives.

In addition, it measures all environmental aspects that are not prescribed by law but whose evaluation is nevertheless important for their economic and environmental effects. These include water consumption, all different forms of energy consumption, consumption of motor fuels and consumption of hazardous materials. We understand our social responsibility and our sustainability mission in the context of our wider operations, which include our numerous business partners, such as maintenance operators, energy providers, suppliers of personal safety equipment and work equipment, transport organisations, providers of operational monitoring and similar measurement, and construction contractors.

We expect our business partners to uphold environmental rules with regard to applicable international standards and the law. All new tenancy agreements and contracts with providers include an environmental clause making the tenant/provider aware of our environmental protection policy, which is set out in detail in two documents, namely the Airport Rulebook and the General Conditions of Environmental Protection. In the future we will systematically bring all elements of our sustainability commitments into our relations with suppliers at all levels.

We endeavour to see that the projects and individuals that we help are associated with the airport and with the social environment in which we operate, and we always look for meaning that transcends the mere commercial, with short-term and long-term impact for both sides. It is our firm conviction that only projects built on partnerships and mutual respect can leave a positive trace. We build our sponsorship and donation activities on three pillars: sport, arts and culture, and humanitarian activities.

Our achievements to date in the area of environmental and social responsibility are examined in detail in our third annual sustainability report, the first having been released in 2015.

Sustainability report for 2017 in available on our web site:

https://www.fraport-slovenija.si/en/company/environment/

FINANCIAL REPORT

1 STATEMENT OF MANAGEMENT

I, Zmago Skobir, the managing director of Fraport Slovenija, d.o.o., hereby guarantee that the company's annual report is compiled and published in accordance with the Companies Act (hereinafter: ZGD-1) and the International Accounting Standards. In this regard, the company conducts itself in accordance with the competences, due diligence and responsibilities set out in ZGD-1 for a limited liability company.

As managing director, I declare that to the best of my knowledge:

- the financial report of Fraport Slovenija, d.o.o. for 2018 was compiled in accordance with the International Financial Reporting Standards, as adopted by the European Union and that it provides a true and fair picture of the assets, liabilities, financial position, operating results and total comprehensive income of Fraport Slovenija, d.o.o., and
- the business report includes a fair presentation of the development and performance of the company's business and its financial position, including a description of the principal types of risks to which Fraport Slovenija, d.o.o. is exposed.

As managing director, I affirm my responsibility for properly administering accounting, for taking appropriate measures to secure property and other assets, and for maintaining the value of assets and preventing and detecting fraud and other irregularities. I also confirm that the financial statements of Fraport Slovenija, d.o.o. were compiled on a going-concern basis, that the relevant accounting policies were consistently applied, and that accounting estimates were made according to the principle of prudence and the diligence of a good manager.

As the managing director of Fraport Slovenija, d.o.o., I declare that I have been briefed on all substantive components of the annual report, I approve them, and I confirm this with my signature.

Zmago Skobir

Managing Director

Skobir

Zg. Brnik, 22 March 2019

2 INDEPENDENT AUDITOR'S REPOR

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of Fraport Slovenija, d.o.o.

Opinion

We have audited the financial statements of **Fraport Slovenija, d.o.o.**, which comprise the balance sheet as at **31 December 2018**, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of **Fraport Slovenija, d.o.o. 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 EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards 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 Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia. 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

The management is responsible for the other information. In compliance with Article 60.1 of the Slovenian Companies Act, the other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the Annual Report and we do not express an audit opinion thereon. In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report, we are required to report that fact.

In addition to our responsibilities and reporting in accordance with ISAs, with respect to the Annual Report, we also performed procedures required by the Slovenian Companies Act. Those procedures include assessing whether the Annual Report is consistent with the financial statements for the same financial year and whether the Annual Report was prepared in accordance with valid legal requirements.

Based on the procedures performed in the course of our audit, we report that:

- The Annual Report for the financial year for which the financial statements have been prepared is consistent with those audited financial statements; and
- The Annual Report has been prepared in accordance with the requirements of the Slovenian Companies Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report that we obtained prior to the date of this auditor's report.. In relation to the Annual Report, we have not identified any material misstatements.

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Matična št.: 5717159 Davčna št.: SI35498161

The company is entered into the company register at Ljubljana District Court under Insert no. 12156800 per resolution Srg. 200110427 dated 19 July 2001 and into the register of audit companies at the Slovene Institute of Auditors under no. RD-A-014. The registered share capital is EUR 34,802. The list of employed auditors with valid licenses is available at the company's registered office.

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Responsibilities of management 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 EU, and for such internal control as management determines is necessary to enable the preparation of the 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.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ljubljana, 22 March 2019

For and on behalf of PricewaterhouseCoopers d.o.o.

Aleš Dular
Certified Auditor

This version of our report is a translation from the original, which was prepared in Slovene. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

3 FINANCIAL STATEMENTS

3.1 BALANCE SHEET

in euros

Balance sheet	Notes	31. 12. 2018	31. 12. 2017
ASSETS		**124.512.598**	**109.706.000**
Non-current assets (total)		**92.865.945**	**86.088.765**
Intangible assets, non-current prepayments and accrued income	5.1.1	9.954.847	9.230.023
Property, plant and equipment	5.1.2	82.343.192	76.325.681
Non-current financial assets	5.1.3	0	0
Non-current operating receivables		59.873	59.873
Deferred tax assets	5.1.4	508.033	473.188
Current assets (total)		**31.646.653**	**23.617.235**
Current assets excluding prepayments and accrued income		**31.421.468**	**23.504.551**
Inventories		342.155	302.499
Current financial assets	5.1.5	18	316.889
Current operating receivables	5.1.6	5.286.689	4.787.342
- of which receivables for income tax expense		0	0
Cash and cash equivalents	5.1.7	25.792.606	18.097.821
Currrent prepayments and accrued income	5.1.8.	**225.185**	**112.684**
EQUITY AND LIABILITIES		**124.512.598**	**109.706.000**
Equity	5.1.9	**105.480.183**	**93.545.931**
Nominal capital		15.842.626	15.842.626
Capital surplus		24.287.659	24.287.659
Profit reserves		43.933.874	43.933.874
Revaluation surplus		-151.636	-218.170
Retained earnings		21.567.660	9.699.942
Non-current liabilities (total)		**9.815.121**	**9.221.995**
Provisions and non-current accruals and deferred income	5.1.10	**1.785.335**	**1.715.452**
Provisions for jubilee benefits, termination benefits and subsequent revenue		1.363.935	1.370.622
Non-current accruals and deferred income		421.400	344.830
Non-current liabilities		**8.029.786**	**7.506.543**
Non-current operating liabilities	5.1.11	8.029.786	7.506.543
Current liabilities (total)		**9.217.294**	**6.938.074**
Current liabilities		**8.445.956**	**6.275.483**
Current operating liabilities	5.1.12	8.445.956	6.275.483
- of which liabilities for income tax expense		673.154	158.022
Current accruals and deferred income	5.1.13	**771.338**	**662.591**

The notes are integral part of the financial statements, and the financial statements should be read in conjunction with them.

3.2 INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

in euros

Income statement	Notes	1.–12.2018	1.–12.2017
Operating revenues	5.2.1	**46,483,009**	**41,889,645**
Net sales revenue		46,258,280	41,673,031
Other operating revenues		224,729	216,614
Operating expenses	5.2.2	**-31,979,662**	**-30,203,445**
Costs of materials and services		**-11,367,857**	**-10,717,440**
Costs of materials		-1,995,245	-1,688,744
Costs of services		-9,372,612	-9,028,696
Labour costs		**-15,310,378**	**-13,073,158**
Depreciation/amortisation		**-4,608,934**	**-4,355,945**
Other operating expenses		**-692,493**	**-2,056,902**
Operating profit (EBIT)		**14,503,347**	**11,686,200**
Net finance income/expenses	5.2.3	**-326,675**	**-112,798**
Finance income		**53,211**	**238,927**
Finance expenses		**-379,886**	**-351,725**
Pre-tax profit		**14,176,672**	**11,573,402**
Income tax expense	5.2.4	-2,340,738	-1,819,183
Deferred tax	5.2.4	34,117	-107,672
Net profit for the period		**11,870,051**	**9,646,547**

The notes are integral part of the financial statements, and the financial statements should be read in conjunction with them.

in euros

Statement of comprehensive income	Notes	1.–12.2018	1.–12.2017
Net profit for the period		**11,870,051**	**9,646,547**
Items that could subsequently be reclassified to profit or loss		**-3,098**	**19,063**
Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets		**-3,826**	**23,535**
- gain/(loss) recognised as revaluation surplus		-3,029	20,993
- transfer of gain/(loss) from revaluation surplus to profit or loss		-797	2,542
Corporate income tax in connection with items that could subsequently be reclassified to profit or loss		**728**	**-4,472**
- in connection with gain/(loss) recognised as revaluation surplus		576	-3,989
- in connection with transfer of gain/(loss) from revaluation surplus to profit or loss		152	-483
Items that subsequently will not be reclassified to profit or loss		**69,631**	**-60,248**
Unrealised actuarial profit/loss from post-employment benefits		67,299	-65,292
Realised actuarial loss (after payment of post-employment benefits)		2,332	5,044
Total other comprehensive income for the period	5.2.5	**66,533**	**-41,185**
Total comprehensive income for the period		**11,936,584**	**9,605,362**

The notes are integral part of the financial statements, and the financial statements should be read in conjunction with them.

3.3 CASH FLOW STATEMENT

in euros

Cash flow statement	Note 5.3	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit corrected for deferred tax		**11.835.933**	**9.754.219**
Adjustment for:		**5.976.631**	**5.411.760**
- income tax expense recognised in the income statement		2.340.738	1.819.183
- amortisation/depreciation of intangible assets and property, plant and equipment		4.608.934	4.355.954
- gain/loss on disposal/elimination of intangible assets and property, plant and equipment		304.500	1.621.958
- impairment of inventories		2.072	3.962
- impairment of receivables		1.820	5.304
- creation/reversal of provisions		40.755	61.917
- other non-cash transactions		155.277	211.365
- finance income		-29.409	-220.919
- finance expenses		377.550	349.462
- income tax expense paid		-1.825.606	-2.796.426
Cash flow from operating activities, excluding working capital		**17.812.564**	**15.165.979**
Change in operating receivables		-1.405.767	-2.829.049
Change in prepayments and accrued income		68.197	-26.674
Change in inventories		-41.728	-61.561
Change in operating liabilities		362.665	1.797.300
Change in accruals and deferred income		-117.274	-45.972
Net cash flow from operating activities		**16.678.657**	**14.000.023**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investing activities		**655.143**	**1.048.019**
Proceeds from interest and profit participation from investing		24.808	35.751
Proceeds from disposal of property, plant and equipment		328.335	446.251
Proceeds from disposal of investments in associates		0	199.217
Proceeds from disposal of current financial assets		302.000	366.800
Finance expenses for investing		**-9.639.112**	**-4.546.759**
Payments for intangible assets		-791.764	-739.311
Payments for property, plant and equipment		-8.847.348	-3.807.448
Net cash flow from investing activities		**-8.983.969**	**-3.498.740**
CASH FLOWS FROM FINANCING ACTIVITIES			
Outflows from financing activities		**0**	**-18.498.321**
Payments of share of profit		0	-18.498.321
Net cash flow from financing activities		**0**	**-18.498.321**
Net increase in cash and cash equivalents		**7.694.688**	**-7.997.038**
Opening balance of cash and cash equivalents		18.097.821	26.095.394
Effect of foreign exchange differences on cash and cash equivalents		97	-535
Cash and cash equivalents at the end of the period		**25.792.606**	**18.097.821**

The notes are integral part of the financial statements, and the financial statements should be read in conjunction with them.

3.4 STATEMENT OF CHANGES IN EQUITY

in euros

Statement of changes in equity	Nominal capital	Capital surplus	Legal reserves	Reserves under Articles of Association	Other profit reserves	Revaluation surplus	Retained earnings	Net profit for the financial year	Total equity
1.1.2017	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-176,985**	**9,450,609**	**9,047,712**	**102,385,495**
Net profit from the previous year	0	0	0	0	0	0	9,047,712	-9,047,712	0
Net profit for the period	0	0	0	0	0	0	0	9,646,547	9,646,547
Other comprehensive income for the period	0	0	0	0	0	-41,185	0	0	-41,185
Draw-down of actuarial deficit	0	0	0	0	0	0	-5,044	0	-5,044
Write-off of liabilities for dividends more than 5 years old	0	0	0	0	0	0	58,439	0	58,439
Payment of share of profit	0	0	0	0	0	0	-18,498,321	0	-18,498,321
31.12.2017	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-218,170**	**53,395**	**9,646,547**	**93,545,931**
1.1.2018	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-218,170**	**53,395**	**9,646,547**	**93,545,931**
Net profit from the previous year	0	0	0	0	0	0	9,646,547	-9,646,547	0
Net profit for the period	0	0	0	0	0	0	0	11,870,051	11,870,051
Other comprehensive income for the period	0	0	0	0	0	66,533	0	0	66,533
Draw-down of actuarial deficit	0	0	0	0	0	0	-2,332	0	-2,332
31.12.2018	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-151,637**	**9,697,610**	**11,870,051**	**105,480,183**

The notes are integral part of the financial statements, and the financial statements should be read in conjunction with

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 REPORTING COMPANY

Fraport Slovenija, d.o.o. (hereinafter: the company) is registered as a legal person domiciled in Slovenia; its registered address is Zgornji Brnik 130a, 4210 Brnik-aerodrom.

At its 9th general meeting of shareholders on 30 June 2005 a resolution was passed stating that from 1 January 2006, the company would compile the financial statements and reports required pursuant to the first paragraph of Article 60 of the Companies Act (ZGD-1) in accordance with the International Financial Reporting Standards, as adopted by the European Union (hereinafter: the IFRS).

The financial statements of Fraport Slovenija, d.o.o. are included in the consolidated financial statements of the Fraport Group, and are available on its website at www.fraport.com.

The financial statements were approved by the company's management on 22 March 2019.

4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS

Statement of compliance

The financial statements for 2018 and 2017 were compiled in accordance with the IFRS, as adopted by the European Union. The accounting and reporting requirements of the IFRS have been applied, as well as the requirements of the ZGD-1 and the company's internal rules.

Basis of measurement

The financial statements have been compiled on an historical cost basis, with the exception of investments in participating interests and bonds, which are measured at fair value.

Functional and reporting currency

The financial statements are presented in euros, the company's functional currency. All financial information is rounded to the closest whole number.

Use of estimates and judgments

In compiling financial statements, the management must make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from these estimates.

The estimates and assumptions must be reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and all future years affected by the revision.

Estimates and judgments were used in at least the following:

- Estimate of provisions (Point 4.3 [provisions] and Point 5.1.10 of the Financial Report),
- Estimate of useful life of intangible assets and property, plant and equipment (Point 4.3 [intangible assets and property, plant and equipment], and Points 5.1.1 and 5.1.2 of the Financial Report),
- Estimate of recoverable value of receivables (Point 4.3 [impairment of assets] and Point 5.1.6 of the Financial Report),
- Estimate of fair value of financial assets (Point 4.3 [financial instruments] and Points 5.1.3 and 5.1.5 of the Financial Report),
- Judgment with regard to impairment of assets (Point 4.3 of the Financial Report [impairment of assets]),
- Judgment with regard to the possibility of claiming deferred tax assets (Point 4.3 [corporate income tax] and Point 5.1.4 of the Financial Report).

4.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied, and the nature and degree of importance are defined in the company's internal acts. For all material amounts presented in the financial statements, we also disclosed comparative information from the preceding period, which is stated in the numerical and descriptive information.

The accounting policies set out below were applied consistently in all periods presented in the attached financial statements.

4.3.1 FOREIGN CURRENCY

Transactions expressed in foreign currencies are converted at the European Central Bank (ECB) reference exchange rate on the day the transaction took place. Cash and cash equivalents and liabilities denominated in foreign currencies on the balance sheet date are converted to euros according to then valid reference rates of the ECB. Foreign exchange differences are recognised in the income statement. The company is not disclosing any receivables in foreign currencies on the reporting date.

4.3.2 DIVISION OF ASSETS AND LIABILITIES INTO FINANCIAL AND NON-FINANCIAL CATEGORIES

The company divides its assets and liabilities into financial and non-financial categories in accordance with IFRS 7.

in euros

	Type of asset/liability	2018	2017
ASSETS			
Non-current operating receivables	Non-financial asset	59,873	59,873
Current financial assets	Financial asset	18	316,889
Current operating receivables		5,286,689	4,787,342
- Current trade receivables	Financial asset	4,977,983	4,530,460
- Other operating receivables	Financial asset	308,706	256,882
Cash and cash equivalents	Financial asset	25,792,606	18,097,822
Currrent prepayments and accrued income		225,185	112,684
- Currrent prepayments and accrued income	Non-financial asset	31,451	75,663
- Currrent prepayments and accrued income	Financial asset	193,734	37,021
EQUITY AND LIABILITIES			
Non-current operating liabilities		8,029,786	7,506,543
- Non-current operating liabilities	Financial liability	7,684,182	7,160,939
- Non-current operating liabilities	Non-financial liability	345,604	345,604
Current operating liabilities		8,445,956	6,275,483
- Current trade payables	Financial liability	5,731,077	4,230,544
- Other current liabilities	Financial liability	2,714,879	2,044,939
Current accruals and deferred income		771,338	662,591
- Current accruals and deferred income	Financial liability	724,364	593,255
- Current accruals and deferred income	Non-financial liability	46,974	69,336

4.3.3 FINANCIAL INSTRUMENTS

IFRS 9 having become fully effective on 1 January 2018, the company updated its accounting policies in connection with financial instruments, which are explained below. Comparative data as at 31 December 2017 and for 2017 has not been restated in accordance with this standard.

The accounting of finance income and finance expenses is described in the point entitled Finance income and finance expenses.

a) Capital instruments, debt instruments and derivatives

In accordance with the financial policy of the Fraport Group, in particular for the purpose of managing financial risks, it is not envisaged that the company would independently invest cash in various forms of financial instruments, thereby generating finance income. Neither is it envisaged that the company would use derivatives for hedging against risks, or hold or issue derivatives for trading purposes. The company is not disclosing any receivables or liabilities from loans granted or loans received.

The company holds investments in shares and participating interests in its portfolio, which it acquired before joining the Fraport Group, and which were impaired in full before 2018. The amount thereof is not material, and the company assesses that their carrying amount is equal to their fair value.

b) Operating receivables

Operating receivables are financial instruments classified as held to maturity, where the objective is the realisation of the contractually agreed cash flows.

Non-current operating receivables are receivables whose repayment is envisaged within a period of more than 12 months, while current operating receivables are those whose repayment is envisaged within a period of less than 12 months.

Operating receivables are measured at amortised cost, whereby non-current operating receivables are measured at the discounted value, and current operating receivables are measured gross (without discounting).

Non-current operating receivables do not constitute a material category in the company's assets.

Impairments

The recoverable amount of operating receivables is estimated, on the reporting date at least, whereby the receivables are treated individually. For receivables regarding which a material increase in credit risk has been identified, the need to create impairments based on an assessment of the recoverable amount of the claim is assessed; the difference between this and the carrying amount represents the total expected loss, and an allowance is created in this amount.

The need to create impairments for future expected losses on receivables is additionally assessed. The company creates impairments for future expected losses using a simplified model taking account of credit risk and its increase across individual stages of operating receivables. Given the current age breakdown of receivables, that the impairments created between 2013 and 2017 display a declining trend, and that the amounts of impairments created in the last two years are immaterial, the company is not creating impairments for future expected credit losses on receivables.

c) Cash

Cash and cash equivalents consist of cash in hand, balances in current accounts at banks, and sight deposits with a maturity of up to 3 months.

4.3.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Property, plant and equipment are disclosed at historical cost, reduced by the value adjustment for depreciation and any potential cumulative loss due to impairment. The historical cost includes costs directly related to purchase of the asset. Items of property, plant and equipment with different useful lives are treated as components.

In accordance with IFRS 40, we assessed whether any of the company's property could be considered investment property. It was established that no property meets the conditions for being classed as investment property.

Subsequent costs

Costs arising subsequently in relation to property, plant and equipment are disclosed as increases in the historical cost of assets, if their value is increased by future economic benefits. Replacement of individual parts is recognised as increases in the historical cost of an item of property, plant and equipment, if recognition criteria are met. The carrying amount of significant replaced parts is derecognised. All other costs in connection with property, plant and equipment (maintenance costs, servicing costs and similar) are recognised in the income statement as they arise.

Depreciation

Deprecation is calculated using the straight-line method of depreciation, taking into account the useful life of property, plant and equipment individually. Land is not subject to depreciation.

Property, plant and equipment becomes subject to depreciation when the asset is available and fit for use.

The estimated useful life falls within the following ranges:	2018
Infrastructure (with components)	10–40 years
Computer equipment	2–12.5 years
Motor vehicles	5–12.5 years
Other plant and equipment	5–20 years

The depreciable amount of assets is determined after deducting the residual value from the historical cost. It is assessed that the residual value of property, plant and equipment after the end of the useful life does not represent a significant proportion of the asset, and residual value is therefore not recognised. The estimated useful lives of property, plant and equipment and their residual values are reviewed at the end of each year, and if expectations differ from previous assessments, the change is treated as a change in accounting estimate.

There were no changes in amortisation/depreciation rates in 2018, with the exception of a rise in the depreciation rates for certain assets that are scheduled for demolition in connection with planned investments in infrastructure (the effect is explained in point 5.1.2).

4.3.5 INTANGIBLE ASSETS

Recognition and measurement

Intangible assets are disclosed at their historical cost, reduced by the value adjustment for amortisation and any potential cumulative loss due to impairment.

Subsequent costs

Subsequent costs in connection with intangible assets are only capitalised when they increase the future economic benefits of the asset to which the costs relate. All other costs are recognised in the income statement as they arise.

Amortisation

Amortisation is calculated using the straight-line method of amortisation, taking into account the useful life of intangible assets (unless the useful life is not defined; in this case it is necessary to test for impairment on the balance sheet date at least). The amortisation of intangible assets commences when the asset is available for use.

The estimated useful lifes for licences and software are between 2 and 10 years. The estimated useful lifes for superficies are the same as the period for which superficies has been assigned.

The estimated useful lives of intangible assets and their residual values are reviewed at the end of each year, and if expectations differ from previous assessments, the change is treated as a change in accounting estimates.

4.3.6 INVENTORIES

Inventories include inventories of maintenance materials and inventories of material used for services.

Inventories are initially recognised at historical cost, which comprises the purchase price plus import duties and non-refundable purchase taxes, and the direct costs of acquisition, minus any discounts received. The method of weighted average prices is used for the valuation of inventories consumed.

4.3.7 IMPAIRMENT

On the reporting date the company tests the carrying amount of assets, and assesses whether there is any indication of impairment. If such indications exist, the recoverable amount of the asset must be estimated.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The impairment is disclosed in the income statement. There are no grounds for impairment if the company is operating at a profit in line with its business plans and there are no other indications of impairment.

Inventories are impaired if their carrying amount exceeds their market value. Market value means the recoverable amount, unless this is higher than the net realisable value (in which case the net realisable value is deemed the market value). Operating expenses are recognised as reductions in inventory value due to impairment.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in previous years.

4.3.8 EQUITY

Equity comprises the nominal capital, capital surplus, profit reserves, retained earnings (which comprise net profit from previous years brought forward and net profit or loss for the period) and the revaluation surplus.

Distribution of net profit to the owner is executed on the basis of a resolution by the Investors Committee, which acts on behalf of the sole member (see point 1.4 of the Business Report).

4.3.9 EMPLOYEE BENEFITS

a) Pension liabilities and post-employment benefits

Mandatory contributions to the pension fund are recorded as labour costs when they arise. The company does not have any other pension schemes, and consequently has no other liabilities in connection with employee pensions. In addition, the company is not required to provide any other kind of post-employment benefits.

b) Termination benefits

The company pays termination benefits when employment is terminated before the normal retirement date, or when employees take voluntary redundancy in exchange for a payment. The company recognises termination benefits when a decision has been explicitly made to terminate the employment of a current employee in accordance with a detailed official plan without the possibility of withdrawal, or to provide termination benefits on the basis of an offer encouraging voluntary redundancy.

c) Non-current employee benefits

In accordance with applicable legislation, the collective agreement and its internal bylaws, the company is committed to the payment of jubilee benefits to employees and termination benefits at retirement. Provisions are created for this purpose. There are no other pension liabilities.

d) Provisions for termination benefits and jubilee benefits

The provisions are created in the amount of the estimated future payments for termination benefits and jubilee benefits, discounted to the end of the reporting period. A calculation is made for each employee by taking account of the cost of termination benefits at retirement and the cost of all expected jubilee benefits until retirement. The calculation is drawn up for each financial year by a certified actuary, using the projected unit method. Any actuarial gains and losses on termination benefits are recognised in other comprehensive income, while gains and losses on jubilee benefits are recognised in profit or loss during the period that they arise.

4.3.10 GOVERNMENT GRANTS

All types of government grants received are initially recognised in the financial statements as deferred income, when there is an acceptable assurance that the company will receive the grants and will meet all the relevant conditions. Government grants received for covering costs are recognised as revenues in the periods in which the relevant costs are incurred. Government grants related to assets are recognised in profit or loss strictly as other operating revenues over the useful life of the asset in question.

4.3.11 LEASES

Leases in which the lessee assumes all the material risks and rewards incidental to the ownership of an asset are treated as finance leases. After initial recognition a leased asset is disclosed at the lower of its fair value or the present value of the minimum lease payments. After initial recognition the asset is accounted in accordance with the accounting policies applying to such assets.

Other leases are treated as operating leases.

4.3.12 PROVISIONS

The company discloses provisions in its balance sheet, if due to a past event it has a current legal or constructive obligation and if it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, the value of the provision is determined using the estimated future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risk specific to the liability.

<u>Provisions for termination benefits and jubilee benefits</u>

In accordance with labour legislation and the collective agreement, the company is committed to the payment of jubilee benefits to employees and termination benefits at retirement. Non-current provisions are created for this purpose. The company has no other pension liabilities.

4.3.13 ACCRUED AND DEFERRED ITEMS

<u>Non-current accrued and deferred items</u>

Non-current prepayments and accrued income relate to long-term deferred costs that will be charged against profit or loss in a period of more than one year.

Long-term deferred income that will cover the projected expenses over a period of more than one year is disclosed under non-current accruals and deferred income. This category includes government grants received for the acquisition of property, plant and equipment in 1993 and 1994, EU funding received for the Initial Airport Operation Plan (IAOP) project, and easement acquired free-of-charge on government-owned land (point 5.1.10 of the Financial Report). The aforementioned non-current accruals and deferred income are earmarked for covering the costs of the depreciation of the aforementioned assets.

Current accrued and deferred items

The company discloses short-term accrued income and short-term deferred expenses under current prepayments and accrued income.

The company discloses short-term deferred income and accrued costs under current accruals and deferred income.

4.3.14 OPERATING REVENUES

Version I of the income statement is used, which provides a sequential report.

a) Revenues from services provided

The majority of revenues from airport services and ground handling services come from services provided on the basis of contracts with airlines. The major categories of revenues from airport services are landing services, centralised infrastructure services, and passenger and security fees, while ground handling services consist of services for the ordinary ground handling of aircraft, passengers and cargo.

Revenues from commercial services relate to a wide range of commercial services offered by the company, although it generates the majority through the letting of office space, retail and catering premises, hangar and warehousing/logistics capacity, through parking fees, through advertising services, and through storage services at the cargo warehouse.

Under IFRS 15, which is effective as of 1 January 2018, the company recognises revenues from services provided in a manner that reflects the transfer of the services to the customer, and in an amount that reflects the expected consideration to which it will be entitled in exchange for the services provided. In keeping with this principle, revenues from services provided are recognised using the five-step model framework:

- identification of the contract,
- identification of the performance obligations,
- determination of the transaction price,
- allocation of the transaction price to the performance obligations,
- recognition of the revenue when the company satisfies a performance obligation.

The company recognises revenues on the basis of contracts with customers only if all of the criteria stated below are met:

- the contracting parties have approved the contract and have committed to performing their obligations,
- the company can identify the rights of each contracting party in connection with the goods and services to be transferred,
- the company can identify the payment terms for the services to be transferred,
- the contract has commercial substance, and
- it is probable that the company will receive the consideration to which it is entitled in exchange for the services to be transferred to the customer.

A service promised to a customer is distinct if both of the following criteria are met:

- the customer can benefit from the service on its own,
- the company's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

The transaction price is the amount that the company expects to receive in exchange for the transfer (performance) of the services promised to the customer. The consideration may include a fixed portion, a variable portion, or both. The company assesses the variable portion of consideration by the method of expected value or the method of most probable amount, where the choice of method depends on the contractual provisions. Only one of the aforementioned methods is applied consistently to each contract. The company only includes the variable consideration in the transaction price in full or in part when it is highly probable that there will not be a significant reduction in the total amount of recognised revenue when the uncertainty relating to the variable consideration has been resolved. Insofar as the contract includes a significant financing arrangement, the consideration is adjusted for the time value of money, whereby the company does not take account of the time value of money for contracts that envisage payment within 12 months of the services being provided. When the consideration or part of the consideration has been agreed in a non-cash form, this is measured at fair value. When the company cannot obtain a reasonable estimate of the fair value of non-cash consideration, the fair value of the consideration is measured by referring to the standalone selling price of the services promised to the customer in exchange for the non-cash consideration. The determination of the transaction price also takes account of consideration paid by the company to the customer; this is taken into account as a reduction in the transaction price.

The allocation of the transaction price to individual performance obligations takes account of the relative standalone prices.

The company recognises revenue at the moment or during the period when it meets (or is meeting) the performance obligation by transferring the service to the customer, whereby the service is deemed to have been transferred when the customer obtains all the benefits from the service. Performance obligations with regard to airport services and ground handling services are deemed to have been met at the moment that an aircraft takes off. For commercial services, the moment of performance is when the services have been provided (e.g. parking or warehousing has been completed), while for commercial services provided on a continuous basis, such as rents and advertising services, a period of one month is taken into account from the perspective of the performance of contractual obligations. For services provided according to a price list, a payment term of 15 days is generally applied, while for services charged on the basis of contracts with customers, a payment deadline of 15 to 30 days is generally applied. Advance payment is required of certain partners, with the aim of reducing credit risk.

In keeping with the pricing policy, the company offers airlines certain discounts under the applicable incentive scheme, which is an integral part of the price list for airport services and ground handling services. The purpose of the aforementioned scheme is to encourage growth in traffic in a transparent and non-discriminatory fashion, via discounts approved for airlines with regard to total traffic, for launching routes to new destinations, for increasing flight frequency on existing routes, and for retaining routes that were originally launched solely for the summer season during the winter season. Incentives tied to total traffic are set out anew for airlines each year, having regard for an airline's total traffic in the previous calendar year. They are applied directly when each invoice is issued. The other incentives cited above are tied to an airline's individual routes, and are approved after conditions have been met in a certain period, usually of one year, which differs from the calendar year. The effects of these incentives are estimated monthly (by each airline's individual routes) and are recorded in the books of account as a reduction in operating revenues.

Contracts with major tenants providing retail and catering services at the airport set out a variable rent with regard to the turnover realised by the tenant, subject to an annual minimum rent. Any shortfall in the variable rent relative to the minimum rent is charged to the tenant at the end of the calendar year.

b) Government grants

Government grants are initially recognised in the financial statements as long-term deferred income (non-current accruals and deferred income), and are recognised only when there is an acceptable assurance that the company will receive the grants and will meet all the relevant conditions. Government grants received for covering costs are recognised as revenue in the periods in which the relevant costs are incurred. Government grants in connection with assets are recognised in profit or loss as other operating revenues over the useful life of the asset in question, in an amount equal to the amortisation/depreciation charged on the assets acquired with the government grants.

4.3.15 EXPENSES

Expenses are recognised as expenses in the accounting period when they are incurred. They are categorised according to their nature. They are set out and disclosed by natural types.

4.3.16 FINANCE INCOME AND EXPENSES

Finance income comprises interest income, foreign exchange gains, dividend income and capital gains from the disposal of available-for-sale financial assets, and is recognised in the income statement.

Interest revenues on financial assets are recognised as they arise using the effective interest rate method. Revenues from default interest are recognised upon payment. Dividend income is recognised in the income statement on the day the shareholder's right to payment is exercised.

Finance expenses encompass interest expenses on superficies, interest expenses on provisions for termination benefits and jubilee benefits, negative exchange rate differences, capital losses during disposal of available-for-sale financial assets, and expenses from impairments of financial assets. The costs of interest are recognised in the income statement using the effective interest method.

4.3.17 INCOME TAX EXPENSE

Income tax expense comprises current taxes and deferred taxes. Income tax expense is disclosed in profit or loss, except for the amount of deferred tax that relates to items disclosed directly in equity, in which case it is disclosed in equity.

Levied tax is tax which is expected to be paid on taxable profit from the financial year, using the tax rates in force or substantively in force as at the balance sheet date, and any adjustments to the tax liability in relation to past financial years.

Deferred tax is disclosed using the balance sheet liability method, which takes into account temporary differences between the carrying amount of an asset or liability and its value for tax purposes. The value of deferred tax depends on the expected method for recovery or settlement of the carrying amount of an asset or liability using the tax rates in force or substantively in force as at the balance sheet date.

Deferred tax receivables are only recognised in the amount for which it is probable that taxable profits will be available, against which the deferred tax receivable can be utilised. A deferred tax receivable is reduced by the amount for which it is no longer possible for a tax relief relating to the asset to be applied.

A company must offset deferred tax assets and liabilities when it has a legally enforceable right to offset current tax assets and liabilities because they are disclosed vis-à-vis the same tax authority.

4.3.18 CHANGES IN ACCOUNTING STANDARDS

The following new standards and interpretations issued by IASB became effective for the Company from 1 January 2018 and were endorsed by EU:

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018. Endorsed by EU with the same effective date). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI

requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

In the company's view, the amendments will have no material impact on its accounting standards.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018. Endorsed by EU with the same effective date). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

In the company's view, the amendments will have no material impact on its accounting standards.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018. Endorsed by EU with the same effective date). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

In the company's view, the amendments will have no material impact on its accounting standards.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018. Endorsed by EU with the same effective date). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.

In the company's view, the amendments will have no material impact on its accounting standards.

The following new standards and interpretations issued by International accounting standards Board (IASB) will become effective for the annual periods beginning on or after 1 January 2019 or later and were not early adopted by the Company.

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019. Endorsed by EU with the same effective date). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

A change in a standard as of 1 January 2019 will result in an estimated increase of EUR 2.2 million in the balance sheet total.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019. Endorsed by EU with the same effective date). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

In the company's view, the amendments will have no material impact on its accounting standards.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020. Not yet endorsed by EU).The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020. Not yet endorsed by EU).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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.

The company is currently assessing the impact of updates on its financial statements.

5 NOTES TO THE FINANCIAL STATEMENTS

5.1 NOTES TO THE BALANCE SHEET

5.1.1 INTANGIBLE ASSETS AND NON-CURRENT PREPAYMENTS AND ACCRUED INCOME

in euros

Intangible assets and non-current prepayments and accrued income	2018	2017
Intangible assets	9,954,847	9,222,385
Non-current prepayments and accrued income	0	7,638
Total	9,954,847	9,230,023

in euros

	Licences, software	Property rights	Intangible assets in acquisition	Total
HISTORICAL COST				
31.12.2017	2,387,936	8,982,547	513,656	11,884,139
Acquisitions	0	0	1,268,618	1,268,618
Transfer from property, plant and equipment	0	0	50,871	50,871
Capitalisations	979,033	687,033	-1,666,066	0
Eliminations	0	-118,052	0	-118,052
31.12.2018	3,366,969	9,551,528	167,079	13,085,576
IMPAIRMENT				
31.12.2017	1,811,938	849,816	0	2,661,754
Capitalisations	0	1,590	0	1,590
Amortisation	231,649	247,787	0	479,436
Eliminations	0	-12,051	0	-12,051
31.12.2018	2,043,587	1,087,142	0	3,130,729
CARRYING AMOUNT				
31.12.2017	575,998	8,132,731	513,656	9,222,385
31.12.2018	1,323,382	8,464,386	167,079	9,954,847
HISTORICAL COST				
31.12.2016	2,144,843	8,411,721	94,324	10,650,888
Acquisitions	0	0	1,267,331	1,267,331
Capitalisations	245,106	602,893	-847,999	0
Eliminations	-2,013	-32,067	0	-34,080
31.12.2017	2,387,936	8,982,547	513,656	11,884,139
IMPAIRMENT				
31.12.2016	1,545,476	627,484	0	2,172,960
Amortisation	268,475	225,138	0	493,613
Eliminations	-2,013	-2,806	0	-4,819
31.12.2017	1,811,938	849,816	0	2,661,754
CARRYING AMOUNT				
31.12.2016	599,367	7,784,237	94,324	8,477,928
31.12.2017	575,998	8,132,731	513,656	9,222,385

Intangible assets amounted to EUR 9,954,847 as at 31 December 2018 and are free of encumbrance.

The general superficies obtained on the basis of the general agreement on mutual relations and the establishment of superficies with regard to the use of specific land (concluded with the Ministry of Infrastructure and Spatial Planning in March 2014) is disclosed under property rights. Under the agreement the company obtained superficies on 242 hectares of land owned by the state that the company uses for its core airport activities, part of which is functional land, for a period of 40 years from 1 January 2014, i.e. until 1 January 2054. Annex 1 to the aforementioned agreement was concluded in 2017, under which the company also obtained superficies on an additional 1.8 hectares of land owned by the state for the period until 1 January 2054, and reduced the scope of its superficies on 1,012 m^2 of land where it will not need to exercise the right in the future.

The fee for the right of superficies is paid in annual instalments. The company accordingly disclosed EUR 7,510,793 of non-current operating liabilities and EUR 448,518 of current operating liabilities as at 31 December 2018 (see notes 5.1.11 and 5.1.12).

An investment in the IAOP (initial airport operation plan) traffic information system in the total amount of EUR 617,789 was completed and activated in December 2018, and is disclosed under software. This investment is helping to improve processes to increase air traffic capacity, thereby reducing delays over which the airport can exert an influence (those deriving from procedures for handling passengers, aircraft and cargo, and airport operating procedures). The project is being co-financed in the amount of 50% by EU funds in accordance with the Grant agreement under the connecting Europe facility (CEF), transport sector. During the lifetime of the project (2016 to 2018), labour costs and costs of services in the total amount of EUR 125,180 (EUR 65,501 in 2018; see note 5.2.2) accrued in addition to the aforementioned investments. The total amount of co-financing by the EU was EUR 371,272, of which EUR 178,147 was transferred to the company in 2016, while the remaining EUR 193,125 for which the approval process is still pending is disclosed by the company as prepayments and accrued income as at 31 December 2018 (see note 5.1.8). The company disclosed other operating revenues (in the amount of EUR 32,644 for 2018; see note 5.2.1) for the co-financing of labour costs and costs of services incurred in 2018, and disclosed long-term deferred income (see note 5.1.10), which will be drawn down in the coming years through a depreciation charge, for the amount of co-financing of the investment (EUR 308,894) as at 31 December 2018.

The company had commitments in the amount of EUR 19,957 thousand as at 31 December 2018 on the basis of contracts for the procurement of intangible assets that have been signed but not yet realised.

5.1.2 PROPERTY, PLANT AND EQUIPMENT

in euros

Property, plant and equipment	2018	2017
Land	16,297,138	15,208,607
Infrastructure	47,621,775	48,344,486
Plant and equipment	11,194,303	9,082,157
Property, plant and equipment in acquisition	7,229,976	3,690,431
Total	82,343,192	76,325,681

in euros

	Land	Infrastructure	Plant and equipment	Plan and equipment not in use	Property, plant and equipment in acquisition	Total
HISTORICAL COST						
31.12.2017	15,208,607	114,079,375	50,256,349	0	3,690,431	183,234,762
Acquisitions	0	0	0	0	10,838,717	10,838,717
Transfer to intangible assets					-50,871	-50,871
Capitalisations	1,088,531	1,528,157	4,069,079	0	-6,685,767	0
Reconciliation	0	0	0	0	-4	-4
Impairments	0	0	0	0	-29,265	-29,265
Eliminations	0	-848,849	-2,788,296		-533,265	-4,170,410
31.12.2018	16,297,138	114,758,683	51,537,132	0	7,229,976	189,822,929
IMPAIRMENT						
31.12.2017	0	65,734,889	41,174,192	0	0	106,909,081
Depreciation	0	2,182,423	1,947,075	0	0	4,129,498
Eliminations	0	-780,404	-2,778,438	0	0	-3,558,842
31.12.2018	0	67,136,908	40,342,829	0	0	107,479,737
CARRYING AMOUNT						
31.12.2017	15,208,607	48,344,486	9,082,157	0	3,690,431	76,325,681
31.12.2018	16,297,138	47,621,775	11,194,303	0	7,229,976	82,343,192

HISTORICAL COST						
31.12.2016	14,983,770	112,714,215	48,083,909	78,856	5,457,325	181,318,075
Acquisitions	0	0	0	0	4,806,632	4,806,632
Capitalisations	224,837	1,365,160	2,906,340	0	-4,496,337	0
Eliminations	0	0	-733,900	-78,856	-2,077,189	-2,889,945
31.12.2017	15,208,607	114,079,375	50,256,349	0	3,690,431	183,234,762
IMPAIRMENT						
31.12.2016	0	63,573,668	40,206,114	78,856	0	103,858,638
Depreciation	0	2,161,221	1,701,120	0	0	3,862,341
Eliminations	0	0	-733,042	-78,856	0	-811,898
31.12.2017	0	65,734,889	41,174,192	0	0	106,909,081
CARRYING AMOUNT						
31.12.2016	14,983,770	49,140,547	7,877,795	0	5,457,325	77,459,437
31.12.2017	15,208,607	48,344,486	9,082,157	0	3,690,431	76,325,681

The property, plant and equipment disclosed as at 31 December 2018 was free of encumbrance, and there are no indications of impairment. Liabilities to suppliers of property, plant and equipment amounted to EUR 3,007,718 as at 31 December 2018.

Land

As at 31 December 2018 the company owned 34.9 hectares of brownfield and greenfield land in the cadastral municipalities of Grad, Šenčur, Cerklje na Gorenjskem, Velesovo and Zgornji Brnik.

Land measuring 1.77 hectares was acquired in the amount of EUR 149,584 in 2018.

The increase in the value of land in the amount of EUR 932,306 relates to the rerouting of the main road past the airport, which was completed in January 2018. The company participated in this project as a co-financer, whereby the land whose value was increased is envisaged for the further development of commercial activities related to the airport's core business.

Land of 510 hectares in the area of Ljubljana's Jože Pučnik Airport, where the company pursues its core business activities, became the property of the Republic of Slovenia (the state). For some of this land, an agreement on mutual relations and the establishment of general superficies was signed with the Ministry of Infrastructure and Spatial Planning, under which the company obtained superficies on 244 hectares of land owned by the state (explained in detail in point 5.1.1 of the Financial Report). A minority of the remaining area is the airport's functional land, which will partly be assigned to use by other users of airport or operators of other infrastructure (Slovenia Control, the Ministry of Defence, the Ministry of the Interior, Adria Airways, Adria Airways Tehnika, etc.), while the majority of the land will remain under the management of the Ministry of Infrastructure and Spatial Planning as functional land and a secure zone.

Infrastructure

Activations increased the value of infrastructure by EUR 1,528,157 in 2018, and included the following major items:

in euros

	2018
Conversion of storage facility for aircraft ground handling equipment into warehousing and logistics facility for letting	844,686
Airport access road (connection of airport to rerouted main road past airport)	330,041
Lighting in multi-storey carpark (replacement of existing lighting)	90,348

Disposals of infrastructure primarily relate to the contractually agreed transfer of the existing water and sewerage system, which the company built itself in previous years, to the municipality of Cerklje, and the disposal of an obsolete biotreatment plant, which is related to the connection of the company's infrastructure to the public sewerage system:

in euros

	Historical cost	Impairment	Carrying amount
Transfer of existing water and sewerage system to municipality of Cerklje	444,563	405,328	39,235
Disposal of obsolete biotreatment plant (connection to public sewerage system)	157,457	157,457	0
Disposals related to conversion of aircraft storage facility into warehousing and logistics facility for letting	44,133	16,600	27,533

Plant and equipment

Plant and equipment in the total amount of EUR 4,069,079 was activated in 2018. The majority of this amount comprises:

in euros

	2018
Deicing vehicle	775,700
Computer equipment to support passenger handling process	414,783
2 airport buses	396,000
Fire engine	253,420
Access control	241,355
3 conveyor belt loaders	193,970
Passenger stairs towing	133,560
Friction tester	124,324
Sweeper	98,000
Equipment for warehousing and logistics facility for letting	96,340
X-ray machine	73,500
Electricity generator	71,573

Disposals of equipment primarily relate to the replacement of obsolete and worn equipment. The main categories of disposed equipment are as follows:

in euros

	Historical cost	Impairment	Carrying amount
Computer equipment to support passenger handling process	191,660	191,660	0
Access control equipment	662,320	662,320	0
Electricity generator to ensure uninterrupted power on runway	200,835	200,835	0
ISDN telephone exchange and telephone equipment	105,957	105,957	0
Navigation light system for runway, including power equipment	887,968	887,968	0
Disposal of obsolete supplies during annual inventory	152,267	152,027	240

Property, plant and equipment in acquisition

During the conversion of the storage facility for aircraft ground handling equipment into a warehousing and logistics facility for letting, construction works in the amount of EUR 302,000 were carried out at the tenant’s request. After the completion of the construction, they were derecognised from real estate in acquisition on account of their sale to the tenant.

Several items of project documentation drawn up in previous years were derecognised from its books of account by the company in 2018, in the total amount of EUR 218,853. These are no longer deemed useful, in light of the decision taken with regard to future investments in infrastructure and buildings.

Property, plant and equipment in acquisition amounted to EUR 7,397,056 as at 31 December 2018. The major investments in progress included in this amount were as follows:

in euros

	2018
Aviation Academy (building and equipment)	4,674,124
Expansion of existing passenger terminal (mostly prepaid utilities charge and project documentation)	951,339
Commercial and logistics zone	297,715
Potable water vehicle	159,000
Central energy facility (utilities charge and project documentation)	114,193
Eco-island	114,050

The company had commitments in the amount of EUR 2,914,918 thousand as at 31 December 2018 on the basis of contracts for the procurement of property, plant and equipment that have been signed but not yet realised.

Impact of changes in amortisation/depreciation rates

There were no changes in amortisation/depreciation rates in 2018, with the exception of a rise in the depreciation rates for certain assets that are scheduled for demolition in the coming years in connection with planned investments in infrastructure. The depreciation charge is EUR 26,740 higher as a result.

Leased assets (inward)

The company held the following irrevocable lease agreements as at 31 December 2018:

in euros

Type of lease	Subject of lease	Period to expiry of lease	Costs in 2018
Operating lease	Warehousing and logistics facility	14 years	183,292
Operating lease	Fire engine	1 year 11 months	3,900
Operating lease	Battery for electric vehicle	5 years 9 months	174
Operating lease	DCS information system for passenger registration	4 years 3 months	288,378
Total			475,744

Present value of future rents

in euros

Subject of lease	Up to one year	One to five years	Over five years
Warehousing and logistics facility	183,292	733,169	1,649,630
Fire engine	55,800	51,150	0
Battery for electric vehicle	696	2,610	0
DCS information system for passenger registration	225,897	716,704	0
Total	465,685	1,503,633	1,649,630

A warehousing and logistics facility was sub-let for the period to September 2022 on the basis of an irrevocable agreement. The annual rent amounts to EUR 302,888. The present value of future rents for the period of January 2019 to September 2022 amounts to EUR 1,135,828 (EUR 302,888 for 2019, and EUR 832,940 for 2020 to 2022).

Leased assets (outward)

in euros

Type of lease	Subject of lease	Period to expiry of lease	Revenues in 2018
Operating lease	Warehousing and logistics facility	indefinite*	274,310
Operating lease	Aircraft maintenance hangar	4 years 11 months	414,608
Operating lease	Warehousing and logistics facility	12 years 4 months	0
Operating lease	Aircraft hangar	6 months	53,000
Total			741,918

* Possibility of termination by lessor in 2022 with one-year notice period, and by lessee in 2018 or 2022 with one-year notice period.

Present value of future rents

in euros

Subject of lease	Up to one year	One to five years	Over five years	Total
Warehousing and logistics facility	302,887	832,941	0	1,135,828
Aircraft maintenance hangar	421,012	1,648,965	0	2,069,977
Warehousing and logistics facility	322,452	1,289,808	2,364,648	3,976,908
Aircraft hangar	33,779	0	0	33,779
Total	1,080,130	3,771,714	2,364,648	7,216,492

in euros

Subject of lease	Historical cost	Impairment	Carrying amount
Warehousing and logistics facility	1,253,058	227,421	1,025,637
Aircraft maintenance hangar	4,190,718	907,029	3,283,689
Warehousing and logistics facility	1,872,588	271,705	1,600,883
Aircraft hangar	588,344	69,802	518,542
Total	7,904,708	1,475,957	6,428,751

5.1.3 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets include investments in participating interests (EUR 125,144) and investments in bonds (EUR 169,824), for which impairments were created in full in previous years.

5.1.4 DEFERRED TAX ASSETS

Deferred tax assets are the result of the offsetting of deferred tax assets and liabilities.

in euros

Deferred tax assets and deferred tax liabilities	2018	2017
Deferred tax assets	508,033	473,915
Deferred tax liabilities	0	727
Netted deferred tax assets	508,033	473,188

in euros

Deferred tax assets, from:	2018	2017
Impairment of current operating receivables	157,115	156,780
Provisions for jubilee benefits and termination benefits	151,882	150,845
Amortisation and depreciation charged in excess of the tax-deductible	142,992	110,187
Impairment of financial assets	56,044	56,103
Total	508,033	473,915

in euros

Deferred tax liabilities, from:	2018	2017
Revaluation of financial assets to fair value	0	727

5.1.5 CURRENT FINANCIAL ASSETS

in euros

Current financial assets	2018	2017
Bonds	18	315.819
Other current financial assets	0	1.070
Total	18	316.889

Current financial assets are not pledged as collateral.

in euros

Current financial assets 2018	Gross value	Value adjustment	Net value
Bonds:	328	310	18
- of which interest	328	310	18

in euros

Current financial assets 2017	Gross value	Value adjustment	Net value
Bonds:	315,817	0	315,817
- of which principal	305,020	0	305,020
- of which interest	10,797	0	10,797

in euros

Changes in 2018	1.1.2018	Decrease	31.12.2018
Bonds	315,817	315,799	18
- of which principal	305,020	305,020	0
- of which interest	10,797	10,779	18

in euros

Changes in 2017	1.1.2017	Increase	Transfer from non-current financial assets	Revaluation	Decrease	31.12.2017
Bonds	374,091	21,141	311,060	11,933	-402,408	315,817
- of which principal	348,827	0	311,060	11,933	-366,800	305,020
- of which interest	25,264	21,141	0	0	-35,608	10,797

Effect of financial assets on equity and profit or loss

in euros

Effect of financial assets on equity in 2018 (changes in revaluation surplus from financial assets)	1.1.2018	Revaluation	Transfer to finance income	31.12.2018
Bonds (non-current and current)	3,825	-3,028	797	0
Total	3,825	-3,028	797	0
Adjustment for deferred tax liabilities	727	-575	151	0
Revaluation of surplus from financial assets	3,098	-2,453	646	0

in euros

Effect of financial assets on equity in 2017 (changes in revaluation surplus from financial assets)	1.1.2017	Revaluation	Transfer to finance income	31.12.2017
Bonds (non-current and current)	-19,710	20,993	2,542	3,825
Quoted shares	0	0	0	0
Mutual funds	0	0	0	0
Total	-19,710	20,993	2,542	3,825
Adjustment for deferred tax liabilities	-3,745	3,989	483	727
Revaluation of surplus from financial assets	-15,965	17,004	2,059	3,098

in euros

Effect of financial assets on profit or loss	2018	2017
Interest on bonds	4,166	21,142
Capital gains on redemption of bonds	797	0
Capital gains on sale of participating interests, shares and mutual bonds	0	199,217
Total revenues	4,963	220,359
Commission on financial assets	104	253
Total expenses	104	253

5.1.6 CURRENT OPERATING RECEIVABLES

in euros

Current operating receivables	2018	2017
Current trade receivables	4,977,983	4,530,460
Current receivables for advances given	10,576	131,606
Other current receivables	298,130	125,276
Total	5,286,689	4,787,342

in euros

Current operating receivables 2018	Gross value	Value adjustment	Net value
Current trade receivables	5,859,730	-881,747	4,977,983
Current receivables for advances given	10,576	0	10,576
Other current receivables	298,130	0	298,130
Total	6,168,436	-881,747	5,286,689

in euros

Changes in impairment of receivables	2018	2017
Balance as at 1 January	884,556	1,067,174
Creation via operating expenses	1,800	3,891
Creation via decrease in operating revenues	0	23,435
Payments received of already impaired receivables	0	-34,956
Receivables written off	-4,609	-174,988
Balance as at 31 December	881,747	884,556

in euros

Other current receivables	2018	2017
VAT assets	236,910	102,348
Other current receivables	61,220	22,928
Total	298,130	125,276

5.1.7 CASH AND CASH EQUIVALENTS

in euros

Cash and cash equivalents	2018	2017
Cash in bank balances	25,745,162	18,051,204
Cash on hand	47,444	46,618
Total	25,792,606	18,097,822

5.1.8 CURRENT PREPAYMENTS AND ACCRUED INCOME

in euros

Current prepayments and accrued income	2018	2017
Short-term deferred costs	31,451	75,663
Co-financing of IAOP project (see note 5.1.1)	193,124	22,791
Other prepayments and accrued income	610	14,230
Total	225,185	112,684

5.1.9 EQUITY

Equity amounted to EUR 105,480,183 as at 31 December 2018, up 12.8% or EUR 11,934,252 on 31 December 2017. It accounted for 84.7% of total equity and liabilities (compared with 85.3% as at 31 December 2017). The company did not hold any share in treasury or any authorised capital as at 31 December 2018, and the owner did not pass any resolution to increase the nominal capital. The changes in equity in 2018 and 2017 are disclosed in the statement of changes in equity (point 3.4 of the Financial Report).

The nominal capital was unchanged from 31 December 2017 at EUR 15,842,626.

Capital surplus

Capital surplus in the amount of EUR 24,287,659 was formed on the basis of the elimination of the general revaluation adjustment of the nominal capital.

Profit reserves

in euros

Profit reserves	2018	2017
Legal reserves	4,013,029	4,013,029
Reserves under the Articles of Association	12,039,085	12,039,085
Other profit reserves	27,881,760	27,881,760
Total	43,933,874	43,933,874

Revaluation surplus

in euros

Revaluation surplus	2018	2017
Revaluation surplus on available-for-sale financial assets (minus deferred tax liabilities)	0	3,099
Unrealised actuarial loss from post-employment benefits (Note 5.1.10)	-151,637	-221,269
Total	-151,637	-218,170

The changes in the revaluation surplus on available-for-sale financial assets are disclosed in point 5.1.5 of the Financial Report (Effect of financial assets on equity and profit or loss).

Retained earnings

Retained earnings in the amount of EUR 21,567,660 comprise the residual distributable profit for 2017 in the amount of EUR 9,697,609 (minus the realised actuarial loss from post-employment benefits in the amount of EUR 2,332 in 2018) and net profit from 2018 in the amount of EUR 11,870,051.

Distributable profit

The company generated its distributable profit in accordance with the Companies Act.

The sole member decides on the use of the distributable profit.

in euros

Formation of distributable profit	2018	2017
Net profit for the period	11,870,051	9,646,547
+ retained earnings	9,697,609	53,395
= distributable profit	**21,567,660**	**9,699,942**
- payment to owner		0
= remaining distributable profit		9,699,942

5.1.10 PROVISIONS AND NON-CURRENT ACCRUALS AND DEFERRED INCOME

Provisions and non-current accruals and deferred income in the total amount of EUR 1,785,335 relate to:

- provisions for employee termination benefits and jubilee benefits, the requisite amount of which was determined by actuarial calculation (EUR 1,363,936),
- long-term deferred income for grants received in 1993 and 1994 from the Slovenian state budget for property, plant and equipment in the amount of EUR 45,237; the amount of the draw-down is the depreciation charge for these assets in 2018 (other operating revenues are disclosed in the same amount),
- long-term deferred income from EU co-financing of the IAOP project in the amount of EUR 308,894 (see note 5.1.1),

- deferred income from easement acquired free-of-charge on government-owned land on which the Šenčur anti-noise barrier was planted (EUR 67,268).

in euros

Changes in 2018	Balance as at 1.1.2018	Utilisation	Formation	Actuarial loss	Balance as at 31.12.2018
Provisions for jubilee benefits	380,518	42,746	30,956	31,296	400,024
Provisions for termination benefits	990,104	14,956	61,756	-72,992	963,912
Long-term deferred income: grants for property, plant and equipment	97,841	52,604	0	0	45,237
Long-term deferred income: EU funds for co-financing IAOP project	171,205	171,205	0	0	0
Long-term deferred income: free-of-charge acquisition of easement on government-owned land (anti-noise barrier)	75,784	8,516		0	67,268
Long-term deferred income: EU funds for co-financing IAOP project	0	0	308,894	0	308,894
Total	1,715,452	290,027	401,606	-41,696	1,785,335

in euros

Changes in 2017	Balance as at 1.1.2017	Utilisation	Formation	Unrealised actuarial gain/loss	Balance as at 31.12.2017
Provisions for jubilee benefits	376,343	35,616	28,442	11,349	380,518
Provisions for termination benefits	894,878	25,140	55,074	65,292	990,104
Long-term deferred income: grants for property, plant and equipment	100,669	2,828	0	0	97,841
Long-term deferred income: EU funds for co-financing IAOP project	178,147	6,942	0	0	171,205
Long-term deferred income: free-of-charge acquisition of easement on government-owned land (anti-noise barrier)	84,300	8,516	0	0	75,784
Total	1,634,337	79,042	83,516	76,641	1,715,452

Provisions for termination benefits and jubilee benefits were created in the amount of estimated future commitments for termination benefits and jubilee benefits, discounted to the balance sheet date. The calculation was made for each employee, taking into account the costs of termination benefits and the cost of all expected jubilee benefits until retirement. The calculation allows for growth in the amounts of retirement benefits and jubilee benefits set out in the decree on the treatment of the reimbursement of costs and other employment earnings for tax purposes in the amount of 3% in 2019 and 2% annually in subsequent years.[1] The forecast staff turnover at the company and projected wage growth have been taken into account. The selected annual discount rate is 1.8%, in accordance with the owner's guidelines. The calculation was drawn up by a certified actuary using the projected unit method.

in euros

Changes in provisions for termination benefits and jubilee benefits	Termination benefits	Jubilee benefits	Total
Balance of provisions as at 31 December 2017	990,104	380,518	1,370,622
Current service cost	45,888	24,675	70,563
Interest cost	15,868	6,281	22,149
Draw-down	-20,649	-42,746	-63,395
Change in financial assumptions (actuarial loss)	-76,541	-7,725	-84,266
Experience (actuarial gain)	9,242	39,021	48,263
Balance of provisions as at 31 December 2018	963,912	400,024	1,363,936

[1] The assumption is that the bases will change in line with the assumed growth in the average wage in Slovenia, as the actual intentions of legislators with regard to the amounts set out in the aforementioned decree are unknown.

in euros

Sensitivity analysis to important actuarial assumptions	Termination benefits	Jubilee benefits	Total
Baseline scenario	963,912	400,024	1,363,936
Discount rate: -0.5 percentage points	1,032,072	419,998	1,452,070
Discount rate: +0.5 percentage points	902,119	381,562	1,283,681
Salary growth: -0.5 percentage points	902,141	381,597	1,283,738
Salary growth: +0.5 percentage points	1,031,348	419,755	1,451,103

5.1.11 NON-CURRENT OPERATING LIABILITIES

in euros

Non-current operating liabilities	2018	2017
Liabilities under the general agreement on superficies (Note 5.1.1)	7,510,792	7,064,788
Liabilities for municipal charge for North Car Park	345,604	345,604
Liabilities for superficies for aircraft maintenance hangar	70,624	66,770
Trade payables for non-current security deposits	102,766	29,381
Total	8,029,786	7,506,543

5.1.12 CURRENT OPERATING LIABILITIES

in euros

Current operating liabilities	2018	2017
Current trade payables	5,731,077	4,230,544
Current liabilities for advances	73,037	73,978
Current liabilities for security deposits	163,360	224,958
Current liabilities to employees	1,269,044	1,069,794
Current liabilities for income tax expense	673,154	158,022
Current portion of liabilities under the general agreement on superficies (Note 5.1.1)	448,518	432,908
Current liabilities for unpaid dividends	35,981	35,981
Other current liabilities	51,785	49,298
Total	8,445,956	6,275,483

5.1.13 CURRENT ACCRUALS AND DEFERRED INCOME

in euros

Current accruals and deferred income	2018	2017
Short-term accrued costs	344,667	184,082
Liabilities from unrealised contractual obligations	426,671	478,509
Total	771,338	662,591

5.1.14 OFF-BALANCE-SHEET ASSETS AND LIABILITIES

in euros

Off-balance-sheet assets and liabilities	2018	2017
Off-balance-sheet assets, from:	3,775,160	4,281,447
- Received quarantees	3,375,838	2,830,373
- Received declarations of surety	298,968	1,400,000
- Receivables from default interest	100,354	51,074
Off-balance-sheet liabilities, from:	601,352	30,608
- Declarations of surety given	50,964	23,608
- Quarantees given	550,379	7,000

The company’s off-balance-sheet liabilities in 2018 include nine no-par-value bills of exchange issued to commercial banks as collateral for bank guarantees issued.

5.2 NOTES TO THE INCOME STATEMENT

5.2.1 OPERATING REVENUES

in euros

Operating revenues	2018	2017
Net sales revenue, from:	46,258,280	41,673,031
- Revenues from domestic sales of services	29,741,387	27,156,644
- Revenues from sales of services to the rest of the world	16,500,600	14,514,121
- Revenues from domestic sales of materials	16,293	2,266
Other operating revenues	224,729	216,614
Total	46,483,009	41,889,645

Airport services and ground handling services accounted for 72.4% of net sales revenue, while commercial services accounted for 26%. The main categories of the latter are rental income (10.1% of total net sales revenue), revenue from parking fees (6.5%) and revenue from warehousing services (5.7%).

in euros

Sales revenue under contracts with customers	Airport services and ground handling services	Commercial services	Total
Receivables as at 1 Jan 2018	4,286,629	1,123,816	5,410,445
Liabilities from unrealised contractual obligations as at 1 Jan 2018	409,172	69,337	478,509
Realised revenue from contractual obligations in 2018	33,496,221	12,745,766	46,241,987
Unrealised revenue from contractual obligations in 2018	379,697	46,974	426,671
Receivables as at 31 Dec 2018	4,620,690	1,239,039	5,859,729

Other operating revenues include EUR 104 thousand in revenue from fines and compensation received, EUR 53 thousand in budget subsidies for amortisation/depreciation, and EUR 33 thousand in revenue from the co-financing of labour costs and costs of services incurred in 2018 in the IAOP project (see note 5.1.1).

5.2.2 OPERATING EXPENSES

in euros

Operating expenses	2018	2017
Costs of materials	1,995,245	1,688,744
Cost of services	9,372,613	9,028,696
Labour costs	15,310,377	13,073,158
Depreciation and amortisation	4,608,934	4,355,945
Other operating expenses	692,493	2,056,902
Total	31,979,662	30,203,445

in euros

Costs of materials	2018	2017
Electricity	483,087	472,307
Non-durables	418,670	371,760
Materials for current maintenance	322,762	211,558
Motor fuel	226,268	187,439
Small inventory (work clothes and protective means)	205,019	87,497
Heating oil	181,189	206,085
Other costs of materials	158,250	152,098
Total	1,995,245	1,688,744

in euros

Cost of services	2018	2017
Security costs	1,713,583	1,732,185
Maintenance costs	1,416,255	1,086,722
Advertising costs	1,156,081	1,746,233
Intellectual services	987,869	946,796
Work through students service	674,375	524,775
Services related to the performance of the company's basic activity	658,000	598,664
Services of the Civil Aviation Agency	503,427	502,225
Insurance premiums	353,104	333,478
Software services	307,825	277,245
Reimbursement of work-related expenses	269,828	220,660
Leasing costs	245,403	215,307
Healthcare services	229,453	231,944
Agency work	214,967	0
Other services	642,443	612,462
Total	9,372,613	9,028,696

in euros

Labour costs	2018	2017
Wages	11,080,430	9,404,857
Social security costs	1,886,348	1,598,904
Reimbursement of meal expenses	596,760	552,661
Annual leave payment	556,156	482,701
Reimbursement of travel expenses	524,943	472,729
Supplementary pension insurance	391,396	330,805
Creation of provisions for termination benefits and jubilee benefits	101,874	73,261
Already included costs of unused leave as at 31 December	82,643	72,342
Other labour costs	89,827	84,898
Total	15,310,377	13,073,158

The implementation of the IAOP traffic information system incurred costs of services in the amount of EUR 2 thousand and labour costs in the amount of EUR 63 thousand in 2018, which are co-financed in the amount of 50% by the EU (note 5.1.1).

in euros

Depreciation and amortisation	2018	2017
Amortisation of intangible assets	479,436	493,613
Depreciation of property, plant and equipment	4,129,498	3,862,332
Total	4,608,934	4,355,945

in euros

Other operating expenses	2018	2017
Compensation for the use of building right	238,709	238,685
Loss on elimination of non-current assets	226,833	1,643,307
Loss on transfer of existing water and sewerage system to municipality of Cerklje	39,235	0
Impairments of non-current assets	29,265	0
Loss on disposal of part of aircraft hangar in conversion into warehousing and logistics facility for letting	27,533	0
Compensation	12,419	61,098
Adjustment to value of inventories	2,072	3,961
Impairments of receivables	1,800	3,891
Other expenses	114,627	105,960
Total	692,493	2,056,902

The loss on the disposal of non-current assets primarily relates (EUR 218,853) to the disposal or write-off of project documentation drawn up in previous years and disclosed under investments in progress, which is no longer deemed useful, in light of the decision taken with regard to future investments in infrastructure and buildings.

5.2.3 FINANCE INCOME AND EXPENSES

in euros

Finance income	2018	2017
Default interest	34,330	16,943
Interest on bonds and deposits	17,061	21,285
Exchange rate differences	947	1,392
Capital gains on redemption of bonds	797	0
Capital gains from the sale of participating interests, shares and mutual funds	0	199,217
Other finance income	76	90
Total	53,211	238,927

in euros

Finance expenses	2018	2017
Interest on superficies*	356,122	324,700
Interest on provisions for termination benefits and jubilee benefits	22,149	21,603
Capital loss on bonds	0	2,542
Other finance expenses	1,615	2,880
Total	379,886	351,725

* general agreement on superficies (EUR 352,268) and superficies for aircraft maintenance hangar (EUR 3,854)

5.2.4 INCOME TAX EXPENSE AND DEFERRED TAX

in euros

Income tax expense and deferred tax	2018	2017
Income tax expense levied	2,340,738	1,819,183
Deferred tax	-34,117	107,672
Total	2,306,621	1,926,855

in euros

Effective income tax expense rate	2018	2017
Pre-tax profit	14,176,672	11,573,402
Anticipated income tax expense (19%)	2,693,568	2,198,946
Reduction in revenues	0	-25,454
Increase/decrease in expenses	163,829	-114,812
Tax relief	-518,388	-235,180
Transition to IFRS	428	-10,190
Other adjustments	1,301	5,872
Income tax expense	2,340,738	1,819,182
Effective tax rate	16.5%	15.7%

in euros

Effect of deferred tax on performance	2018	2017
Change in deferred tax assets from impairment of financial assets	59	118,928
Change in deferred tax assets from impairment of trade receivables	-335	38,992
Change in deferred tax assets from provisions for jubilee benefits and employee termination benefits	-1,036	-6,407
Change in deferred tax assets from amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO	-32,806	-43,841
Total	-34,118	107,672

5.2.5 OTHER COMPREHENSIVE INCOME FOR THE PERIOD

in euros

Other comprehensive income	2018	2017
Items that could subsequently be reclassified to profit or loss	**-3,098**	**19,063**
Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets	**-3,826**	**23,535**
- gain/(loss) recognised as revaluation surplus	-3,029	20,993
- transfer of gain/(loss) from revaluation surplus to profit or loss	-797	2,542
Corporate income tax in connection with items that could subsequently be reclassified to profit or loss	**728**	**-4,472**
- in connection with gain/(loss) recognised as revaluation surplus	576	-3,989
- in connection with transfer of gain/(loss) from revaluation surplus to profit or loss	152	-483
Items that subsequently will not be reclassified to profit or loss	**69,631**	**-60,248**
Unrealised actuarial profit/loss from post-employment benefits	67,299	-65,292
Realised actuarial loss (after payment of post-employment benefits)	2,332	5,044
Total	**66,533**	**-41,185**

Changes in financial assets that result in other comprehensive income are explained under current financial assets (see note 5.1.5 - Effect of financial assets on equity and profit or loss).

5.3 NOTES TO THE CASH FLOW STATEMENT

The cash flow statement has been compiled using the indirect method.

Material adjustments taken into account in the preparation of the cash flow statement for 2018	in euros
Correction of revision to operating receivables and operating liabilities for reason of offset of receivables and liabilities	889,231
Correction of revision to operating liabilities and outflows for acquisition of property, plant and equipment for reason of increase in trade payables for property, plant and equipment	1,965,429
Correction of non-current operating liabilities and outflows for acquisition of intangible assets for reason of increase in general superficies	573,104
Inflows from sale of property, plant and equipment	328,335

5.4 FINANCIAL RISKS

Credit risk

in euros

Company's maximum exposure to credit risk	2018	2017
Current financial assets	18	316,889
Non-current operating receivables	59,873	59,873
Current operating receivables	5,286,689	4,787,342
Cash and cash equivalents	25,792,606	18,097,821
Total	31,139,186	23,261,925

in euros

Structure of financial assets by maturity as at 31.12.2018	Up to three months	Three months to one year	One to five years	Total
Current financial assets	18	0	0	18
Current operating receivables	5,278,972	7,717	0	5,286,689

in euros

Structure of financial assets by maturity as at 31.12.2017	Up to three months	Three months to one year	One to five years	Total
Current financial assets	1,070	315,819	0	316,889
Current operating receivables	4,650,776	136,566	0	4,787,342

Financial assets are explained in Points 5.1.3, 5.1.5, 5.1.6 and 5.1.7 of the Financial Report.

Liquidity risk

Liquidity risk is low, as the company has no debt and is generating a stable cash flow from operating activities. Cash in bank balances represents a high-quality liquidity reserve.

in euros

Structure of liabilities by maturity as at 31.12.2018	Up to three months	Three months to one year	One to five years	Over five years	Total
Current operating liabilities	7.783.799	662.157	0	0	8.445.956
Non-current operating liabilities	0	0	884.330	7.145.456	8.029.786
Provisions and non-current accruals and deferred income	0	166.441	480.684	1.138.210	1.785.335

in euros

Structure of liabilities by maturity as at 31.12.2017	Up to three months	Three months to one year	One to five years	Over five years	Total
Current operating liabilities	6,275,483	0	0	0	6,275,483
Non-current operating liabilities	0	0	777,904	6,728,639	7,506,543
Provisions and non-current accruals and deferred income	0	203,716	289,183	1,222,553	1,715,452

Interest rate risk

The company's exposure to changes in market interest rates is low. The company does not have any interest-bearing liabilities, nor does it hold any financial assets whose interest is tied to changes in interest rates.

Currency risk

The company is not exposed to currency risk, as its transactions in foreign currency are immaterial.

Fair value

The financial assets and liabilities disclosed in the table below are, with the exception of available-for-sale financial assets (namely bonds, which account for the majority of current financial assets), measured at historical cost or amortised cost, which is assumed to be the same as the fair value of the assets or liabilities (classed as Level 3 in the fair value hierarchy).

The carrying amount of the bonds is equal to their fair value, and they are classed as Level 1 under the fair value hierarchy (financial assets valued at quoted prices in an active market as at the final day of the reporting period).

in euros

Classification of financial instruments at fair value as at 31 December 2018	Level 1	Level 3	Total
Non–current operating receivables	0	59,873	59,873
Current financial assets	18	0	18
Current operating receivables	0	5,286,689	5,286,689
Non–current operating liabilities	0	8,029,786	8,029,786
Current operating liabilities	0	8,445,956	8,445,956

in euros

Classification of financial instruments at fair value as at 31 December 2017	Level 1	Level 3	Total
Non–current operating receivables	0	59,873	59,873
Current financial assets	316,889	0	316,889
Current operating receivables	0	4,787,342	4,787,342
Non–current operating liabilities	0	7,507,270	7,507,270
Current operating liabilities	0	6,275,483	6,275,483

5.5 OTHER EXPLANATORY NOTES

5.5.1 SIGNIFICANT EVENTS AFTER THE END OF 2018

JANUARY 2019

Because of changes in legal practice in the area of public contracting that might have had a significant impact on the procedure to award the contract for construction and fitting work for the expansion of the passenger terminal, the company decided to reject all six applications received in the public tender, and to restart the award of the public contract with certain updates.

On **22 January 2019** the company was recognised by Mojedelo.com, an employment portal, as one of the best employers in the country for the sixth time in all, and for the fourth year in a row. Several thousand jobseekers took part in an in-depth survey, and this year they again ranked Fraport Slovenija as one of the best employers in the country.

MARCH 2019

The Fraport Aviation Academy held its gala opening on **6 March 2019**. With an investment of more than EUR 6 million, it is the company's response to the need for training in aviation, crisis management, and protection and rescue for participants from the Fraport Group and to the third parties.

5.5.2 RELATIONS WITH AFFILIATES

The company's affiliates are all the companies in the Fraport Group.

In 2018 certain transactions were executed with the controlling company Fraport AG, and are disclosed in the table below. No transactions were executed with other companies in the Fraport Group in 2018.

in euros

Transactions with the controlling company Fraport AG	2018
Operating revenues	32,225
Operating expenses	542,575

The company disclosed liabilities in the amount of EUR 20,000 and receivables in the amount of EUR 150 vis-à-vis Fraport AG as at 31 December 2018.

5.5.3 REMUNERATION OF MANAGEMENT IN 2018

The total remuneration of the managing director and the procurator in 2018 amounts to EUR 343,776, while the total remuneration of the company's other employees to whom the tariff schedule of the collective agreement does not apply amounts to EUR 85,712. The total remuneration includes gross salary, reimbursement of meal expenses, leave allowance and fringe benefits.

The company did not approve any loans or advances or provide any guarantees in 2018 for the senior management or the company's other employees to whom the tariff schedule of the collective agreement does not apply, nor did it disclose any receivables or liabilities vis-à-vis them as at 31 December 2018, other than salaries for December, which were paid in January 2019.

5.5.4 DISCLOSURE IN ACCORDANCE WITH POINTS 12 AND 13 OF ARTICLE 69 OF THE ZGD-1

The company did not have, nor does it have, any business operations that have not been disclosed in the balance sheet and that would, in light of the risks and benefits arising there from, be material for assessing the financial position of the company.

The company also did not have, nor does it have, any transactions with affiliates that could be regarded as material and that have not been performed under market conditions.

5.5.5 TOTAL PAYMENTS TO AUDITORS

Operating expenses for services provided by audit firm PwC, podjetja za revizijo in druge finančno računovodske storitve, d.o.o. for 2018 in the amount of EUR 26,000 relate to:

- auditing services (EUR 25,000, of which EUR 6,400 was paid in January 2019, and EUR 18,600 in 2018), and
- assurance services (EUR 1,000 paid in 2018).