ANNUAL REPORT 2020

Fraport Slovenija, d.o.o.

April 2021

CONTENTS

A WORD FROM THE MANAGING DIRECTOR

A year that brought an end to decades of growth in global aviation

Fraport Slovenija originally set itself the goal in 2020 of continuing to restore passenger traffic after the national hub carrier ceased its operation, expanding the route map, and optimising the timetable. We had planned to recover 90% of the traffic from 2018; these expectations were based on airlines' concrete forecasts from 2019.

A fundamental change in the expectations surrounding the development of passenger traffic came on 17 March 2020, when in response to the declaration of the global coronavirus pandemic the Slovenian government issued an ordinance banning all passenger flights in Slovenia. The only flights allowed were cargo transport, special non-passenger flights, flights by government officials, humanitarian operations, and repatriation flights.

The full shutdown of passenger traffic lasted until 12 May, when the government lifted the ban on international passenger air traffic. The first airline returned to the airport in late May, followed by nine of the 17 scheduled airlines that had planned to serve the airport under the summer timetable, albeit at reduced frequency.

The shutdown of passenger aviation was global: international traffic came to a halt some smaller airlines have ceased operations and many airlines were forced to park their aircraft on airport aprons. Passenger aviation industry suffered irreversible and unimaginable damage. Reports of aviation and airport associations reveal the bleak statistics: EUR 56.2 billion of financial losses to European airlines, airports and air traffic control, 1.7 billion fewer passengers in Europe, 6.1 million fewer flights in Europe, 51% of planes grounded at the end of the year, and 191,000 jobs lost in aviation across the continent. It was a year that brought an end to decades of growth in global aviation.

The senior management of Fraport Slovenija responded rapidly and effectively to the radical change in circumstances, and cut all unnecessary expenses that did not impact the safety and operation of the airport. Planned investments and projects were postponed wherever possible with exception of the terminal expansion. It was decided to continue with the construction of the new passenger terminal. With more than EUR 20 million it is a strategic investment ensuring the airport's long-term development. Although the current decline in traffic means that there is most likely enough space in the existing terminal, in conjunction with the owners the senior management took the decision to push ahead with construction according to the planned timetable, despite the impact of the epidemic. The age of the old terminal makes it difficult to maintain the highest standards for passenger arrivals and departures. The company also sees the new state of the art terminal as a long-term investment, which will help it recover more quickly from the current situation.

Given the change in business conditions, we felt compelled to streamline labour costs. The company took advantage of job preservation measures under the government's emergency legislation, and also claimed refunds of wage compensation for furloughed workers and staff on short-time work. As a result of the profound decline in air traffic, and given the need to ensure the company's liquidity, it was also necessary to take the most drastic action: cutting jobs. In doing so we followed the strategy of retaining sufficient numbers of staff to be able adjust quickly to the recovery in traffic levels. The company had a headcount of 395 at the end of the year, down from 478 a year earlier.

Despite all the measures taken to reduce costs, we nevertheless experienced a very difficult financial year, which ended with a net loss of EUR 6,308 thousand as passenger numbers fell by 83.1% to 291,910 at the end of the year. The number of aircraft movements was down 58.8% on the previous year at 12,980, while cargo traffic was down 6.9% at 23,154 tonnes. Amid the drastic decline in traffic, we recorded a 61.8% fall in operating revenues, which amounted to EUR 18,062 thousand. EBITDA was negative, in the amount of EUR 2,114 thousand.

The damage caused by the closure of the airport to passenger traffic between 17 March and 30 June will partly be compensated for by government aid. The company will receive aid in the form of direct grant worth EUR 5 million in 2021. There can be no question that the aid is vital, and will be used to ensure liquidity and to cover current operating costs. During these extremely difficult times, and given the wide-ranging consequences of the epidemic, the government aid is essential to ensuring the further development of infrastructure at the airport and its continued operation.

The expectations for the recovery of traffic at the airport are muted. The rollout of the vaccine in Slovenia and around the world carries the promise for the aviation industry of increased opportunity to travel in the near future, but forecasts are still very restrained given the unpredictable evolution of the epidemic and its containment. Our undoubted priorities in our conversations with airlines are re-establishing the connections that the airport and the country had before the epidemic, optimal timetabling, and restoring charter services. This year we are also certain to focus on the further development of opportunities in the cargo and real estate segment.

While we expect passenger numbers not to exceed 600,000 at the airport in 2021, just 34% of the pre-epidemic figure, the forecasts for European air traffic are slightly more positive: it is forecast to reach 51% of its pre-epidemic level. Irrespective of the scale of the recovery, the health crisis will continue to impact the entire industry.

In any case we are ready to continue to successfully manage the Covid-19 crisis because the backbone of our airport are our employees. In this regard I would like to thank our staff for their contribution, solidarity, and understanding in this difficult time. We are convinced that 2020 will be a year that will stay in our minds as the one that made us stronger and gave us the confidence to master any challenge that the future might hold for our us and for the airport. But history says that after any crisis, the aviation industry rebounds with momentum. It is therefore not a question of if; it is a question of when.

Zmago Skobir,

Managing Director

BUSINESS REPORT

1 INTRODUCTION

1.1 PERFORMANCE HIGHLIGHTS

	2020	2019	Change 2020/2019
TRAFFIC			
Number of passengers	291.910	1.727.136	-83,1%
Aircraft movements	12.980	31.489	-58,8%
Cargo (in tonnes)	23.154	24.875	-6,9%
ANALYSIS OF PERFORMANCE **in thousand euros**			
Operating revenues	18.062	47.276	-61,8%
Net sales revenue	16.758	45.321	-63,0%
Operating expenses	25.712	36.445	-29,4%
EBITDA	-2.114	16.273	-113,0%
EBIT – operating profit	-7.650	10.831	-170,6%
Net finance income/expenses	-395	-350	-12,8%
Pre-tax profit	-8.045	10.481	-176,8%
Net profit	-6.308	8.733	-172,2%
Total comprehensive income of the period	-6.304	8.576	-173,5%
Value added (operating revenues – costs of materials and services – other operating expenses excluding revaluation operating expenses and provisions)	11.012	35.905	-69,3%
BALANCE SHEET **in thousand euros**			
Assets as at 31. 12.	127.102	132.212	-3,9%
Equity as at 31. 12.	107.381	113.703	-5,6%
EMPLOYEES			
Number of employees 31. 12.	395	478	-17,4%
Average number of employees	437,2	467,3	-6,4%
INDICATORS			
EBITDA margin	-0,12	0,34	-134,0%
EBIT margin	-0,42	0,23	-284,9%
Net ROE – in % (net profit/average equity excluding net profit/loss from current period)	-5,55%	8,31%	-166,7%
Net ROA – in % (net profit/average assets)	-4,86%	6,76%	-172,0%

1.2 SIGNIFICANT EVENTS

SIGNIFICANT EVENTS OF 2020

January

In 2020, the company started using the SAP Hana S/4 software solution to support operations in the areas of accounting, finance, controlling, procurement, warehousing and commercial.

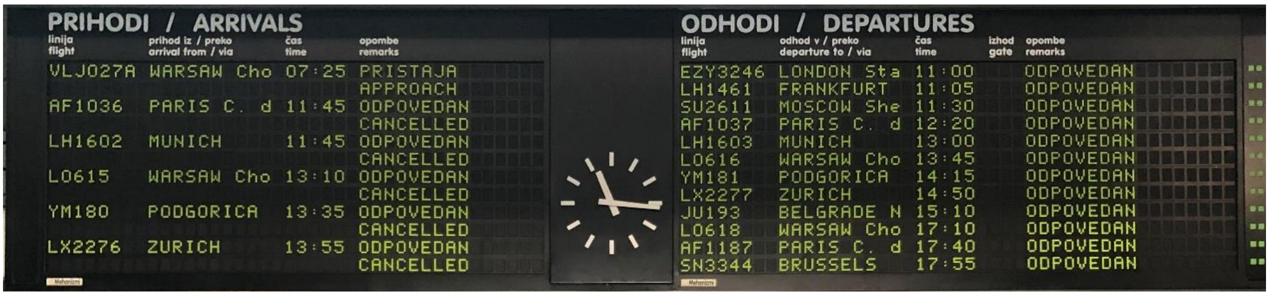
February

A resolution on the development of transport infrastructure in the broader Ljubljana Airport region was presented by Fraport Slovenija on 27 February, and was supported by all six of the local authorities: the City of Kranj and the municipalities of Cerklje na Gorenjskem, Šenčur, Škofja Loka, Komenda and Vodice. An agreement was reached, and was signed and presented in the form of a resolution that outlines the proposals for key infrastructure solutions in the Central Gorenjska region, with a timetable for the proposed measures.

March

The summer timetable was presented on 5 March, and featured several new developments. According to the forecasts at that time, the existing 12 airlines, who were to operate flights to 22 destinations, were to be joined by five others: British Airways flying to London Heathrow, Finnair to Helsinki, Israir Airlines to Tel Aviv, Windrose to Kiev, and Iberia to Madrid. Some routes were to be expanded with larger aircraft or higher frequencies.

On 17 March the government banned passenger flights in Slovenia in order to curb the spread of coronavirus. It issued an ordinance temporarily banning flights carrying international passengers to Slovenia, including flights inside the EU. The ban lasted until 11 May 2020. During this period only cargo flights, special non-passenger flights and government flights were allowed.



May

On 12 May the government lifted the ban on international passenger flights, and the airport reopened to passenger traffic on the same day.

Air Serbia was the first airline to resume scheduled services after the epidemic on 29 May. It initially operated two flights a week to Ljubljana Airport, before adjusting the frequency to daily demand. Scheduled services were resumed by nine airlines over the summer.

June

An operating permit was obtained on 30 June for the new hangar for ground handling equipment (SOLE 3). The new facility boasts 1,900 m2 of covered space, and more than 3,000 m2 of outside space. It is located between the new T2 passenger terminal and the SOLE 1 hangar. The investment was valued at EUR 0.7 million EUR.

July

Due to the Covid-19 pandemic and the consequent decline in air traffic, the company could no longer provide work for all employees, so in July 2020 the Redundancy Program was adopted and on the basis of this program 82 employees were terminated for business reasons.

October

On 1 October, the changed organisational structure of the company Fraport Slovenija came into force, the purpose of which was to optimise in the Operations work processes, reduce leader's postions and increase the multitasking of employees.

As part of the construction of the new passenger terminal, which proceeded according to plan and without interruption during the epidemic, access to the passenger terminal and other support facilities at Ljubljana Airport was temporarily modified on 5 October.

The winter timetable came into effect on 25 October. Passenger air traffic across Europe recorded a drastic decline for the eighth consecutive month. The evolution of the epidemic meant that services in the winter timetable were also scaled back. According to the information at that time, a total of ten destinations in nine European countries were to be served by nine different airlines. A significant number of the announced services were not realised over the winter because of the worsening epidemic.

November

The business daily Finance has been awarding the most prestigious professional accolades in business reporting for 21 years now, and on 25 November it announced its best annual report awards. Fraport Slovenija was the winner in the category of best annual report in the area of sustainable development.

December

On 6 December the government approved a proposal to allocate state aid of EUR 5 million to Fraport Slovenija because of the damage suffered as a result of the Covid-19 epidemic between 17 March and 30 June. The proposal also had to be approved by the European Commission.

Fraport Slovenija opened a Covid-19 testing site at the airport on 16 December, with PCR and rapid antigen tests. This provides testing for passengers and others. The company signed an agreement with Zdravje Health Institute, a private provider who will handle the swab processing.

SIGNIFICANT EVENTS AFTER THE END OF 2020

a) IMPACT OF COVID-19 ON THE COMPANY'S PERFORMANCE

The current situation in connection with the Covid-19 epidemic and the resulting loss of a considerable chunk of revenues in the passenger transport segment is judged to be short-term by the senior management. Over the medium term we are expecting a rebound in the sense of a recovery in passenger traffic, and a return to the level of turnover seen before the outbreak of the epidemic.

With the intention of emerging from the difficult situation in which Fraport Slovenija has found itself, there is an even greater focus on agile planning of performance and liquidity, whereby our planning assumptions are adjusted on a monthly basis to changes in the turnover forecast and also to the situation in Slovenia and across Europe. The senior management responds to the planning forecasts for traffic and operating revenues by promptly imposing and revising measures to control operating expenses, with great emphasis on ensuring the company's liquidity during the time of reduced traffic.

The forecast is for a difficult year in 2021, as passenger traffic is expected to be a third of its normal level, and operating revenues will also be correspondingly lower. With constant control of operating expenses, we are planning to see an improvement in 2021's operating result compared with 2020, thanks in part to emergency government aid in the amount of EUR 5 million. The company's liquidity is not in question, despite the decline in revenue and the need to complete the investment in the new passenger terminal; it will be ensured by making use of available internal resources and by raising two long-term loans in the total amount of EUR 15 million, which have not been drawn down to date (see note 5.1.11), while our planning is relatively conservative.

We expect passenger traffic to regain its pre-epidemic level at some point by 2025, and accordingly we are planning to operate in the black even this year, and to maintain a positive cashflow before interest, taxes and amortisation/depreciation.

The senior management's assessment is that, in the wake of the aforementioned activities, as at 31 December 2020 there were no circumstances that would require impairments of assets, and there are sufficient liquid assets available for operations to proceed without disruption.

b) OTHER SIGNIFICANT EVENTS AFTER THE END OF 2020

January 2021

An operating permit was issued on 28 January for a new cold store at the cargo warehouse designed for storing pharmaceutical shipments that need to be kept at temperatures of 2° to 8°C. At 150 cubic metres, the cold store doubled the capacity to store cold-chain cargo. The new facility also improved reliability in the storage of pharmaceutical products.

February 2021

On 2 February the European Commission approved the state aid of EUR 5 million in the form of direct grants to Fraport Slovenija as compensation for the damage suffered by the company as airport operator between 17 March and 30 June 2020 because of the coronavirus.

Russian airline Aeroflot returned to Ljubljana Airport on 12 February, following a break of almost a year because of the Covid-19 epidemic. It will initially operate one flight a week to Moscow.

March 2021

Air France resumed its scheduled services to the French capital on 6 March after a break of four months.

On March 11 we earned our Airport Health Accreditation (AHA) from the Airport Council International and thus our airport joined the family of airports who ensure the safest health conditions for passengers and staff in the time of Covid-19 epidemic.

On 15 March, in agreement with the official receiver for Adria Airways d.o.o. (in bankruptcy), we opened an auction to sell an APU (auxilliary power unit) spare part that had been received from Adria Airways as collateral for our receivables. The auction closed on 1 April 2021, with a single bidder offering a price of EUR 190,000. The company has not yet taken a final decision on the sale, but the offered price will provide the basis for additionally impairing the operating receivables from Adria Airways (in bankruptcy) in the amount of EUR 51,000 in 2021.

A lawsuit was lodged against the company on 25 March, in pursuit of a claim of EUR 250,000. The company estimates with a high degree of probability that the maximum damages it could face would be EUR 50,000. The company also created non-current provisions in this amount in March 2021.

1.3 BASIC INFORMATION ABOUT THE COMPANY

Fraport Slovenija d.o.o. is the operator of Ljubljana Jože Pučnik Airport (hereinafter: Ljubljana Airport or the airport), Slovenia's main international airport, which handles 97% of all air passenger traffic in Slovenia. We are a successful, environmentally and socially responsible company with a history going back more than 55 years. The company's principal line of business encompasses the operation and management of the airport, the development of airport infrastructure, the provision of ground handling services, and the provision of various commercial services.

The location of the airport is ideal for developing air connections and businesses related to the airline industry, as it is situated at the crossroads of traffic flows between the Pannonian Basin and the Po Valley, and the corridor from the Middle East to the European Union running through the Istanbul gateway. The airport's catchment area encompasses Slovenia, the southern part of Austria, the north-eastern part of Italy and part of Croatia, with approximately four million inhabitants in the aforementioned region. With a 3,300-metre runway and advanced equipment, the airport accommodates Category IIIb approaches in conditions of reduced visibility.

The company also has sufficient land at its disposal for further expansion of the airport, and the development of various complementary business activities.

BASIC 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	Oliver Weiss, COO Babett Stapel, CCFAO Thomas Wilhelm Uihlein, Director of Aviation Academy
Number and date of entry of conversion to limited liability company in companies register	Entry: 2015/15628 on 14.4.2015
Registration number	5142768000
VAT ID number	SI12574856
Nominal capital as at 31.12.2020	EUR 15.842.626,44
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 HypoVereinsbank Member of Unicredit, München: DE35 7002 0270 0015 7308 74
Financial year	Calendar year
Number of employees as at 31.12.2020	395

1.3.1 CORE BUSINESS AND STRATEGIC PILLARS

To help the company realise its mission statement and its vision, the senior management has defined three strategic pillars that are the company's main sources of revenue:

1. Aviation,
2. Ground Handling,
3. Non-aviation.

Aviation and some of ground handling services are the company's core business activity, on which the majority of the others are dependent. Airports play an increasingly active role in attracting airlines, and in the marketing to attract new traffic. They compete with one another for traffic, as the European airport network offers passengers a free choice. Almost two-thirds (63%) of people in Europe are within two hours' drive of at least two airports, and Ljubljana Airport is no exception in this. High-impact marketing and a flexible and attractive motivational programme are of key importance to the airport's competitiveness.

Cargo Handling is an important part of Ground Handling with expected positive trends due to the expansion of large logistics complexes to Brnik.

Commercial services are becoming more and more important, not merely as a revenue generator, but also through the impact that they have on the passenger experience. They also constitute an important marketing tool, which increases the airport's competitiveness. Knowing who our passengers are and what they want is a key prerequisite for successfully planning our catering and retail services in the passenger terminal. Relocating the regional road and building the bypass have allowed for the further development of the land earmarked for the airport city.

Non-aviation services also include the Fraport Aviation Academy, which offers training and consulting services in the field of firefighting, ground handling and aviation.

MISSION STATEMENT, VISION, VALUES AND STRATEGIC OBJECTIVES

Mission statement

By creating inspiring services and a customer-friendly experience, and pursuing sustainable airport management, we provide for Slovenia's connectivity.

Vision

Our vision is to be:

1. an effective and top-quality regional gateway,
2. a platform for exciting retail experiences,
3. the main airport in the region for air cargo transport,
4. a leading skills academy in the aviation sector.

Values

Our most important values are air safety, quality of service and sustainable development. **Air safety** is a priority for the company, and a prerequisite for successful long-term performance in the aviation industry. The company therefore meets the safety conditions prescribed by legislation at the national and EU levels, and internationally recognised aviation standards.

High quality of service is the foundation of our business, and a watchword for our profile on the market. The quality of our services is ensured by the professionalism and knowledge of our staff, who are aware of their role and their importance to the company, since it is motivated, highly skilled people that help build company's reputation.

Sustainable development Alongside our active role in defending the public interest of safe, smooth and orderly air transport, the company is aware that the aviation industry has a wider societal impact.

We therefore plan the company's operations and development in a way that promotes the development of our immediate and wider environment, while preventing any adverse effects.

Strategic objectives

The Covid-19 pandemic has drastically reduced traffic and passenger levels, and as a result, the recovery of pre-pandemic traffic will be slower. The content of the majority of strategic objectives will not change significantly, but the achievement of objectives will be delayed. The company expects to refresh the company's strategic goals for the period until 2030 this year after stabilisation of traffic. The company's strategic goals set before the Covid-19 pandemic are as follows:

1. increasing traffic in terms of passengers, aircraft movements and cargo,
2. growing revenue, particularly from commercial services,
3. securing key investments in infrastructure and equipment to help the further increase in traffic,
4. providing development opportunities for logistics firms and reliable ground handling services, thus paving the way for us to become the leading air cargo hub in the western Balkans,
5. exploring opportunities to invest in the airport city, and attracting a variety of other companies,
6. developing Fraport Slovenija as a reputable provider of aviation training.

1.3.2 ORGANISATIONAL STRUCTURE

Organisational structure of Fraport Slovenija d.o.o. as at 1 October 2020

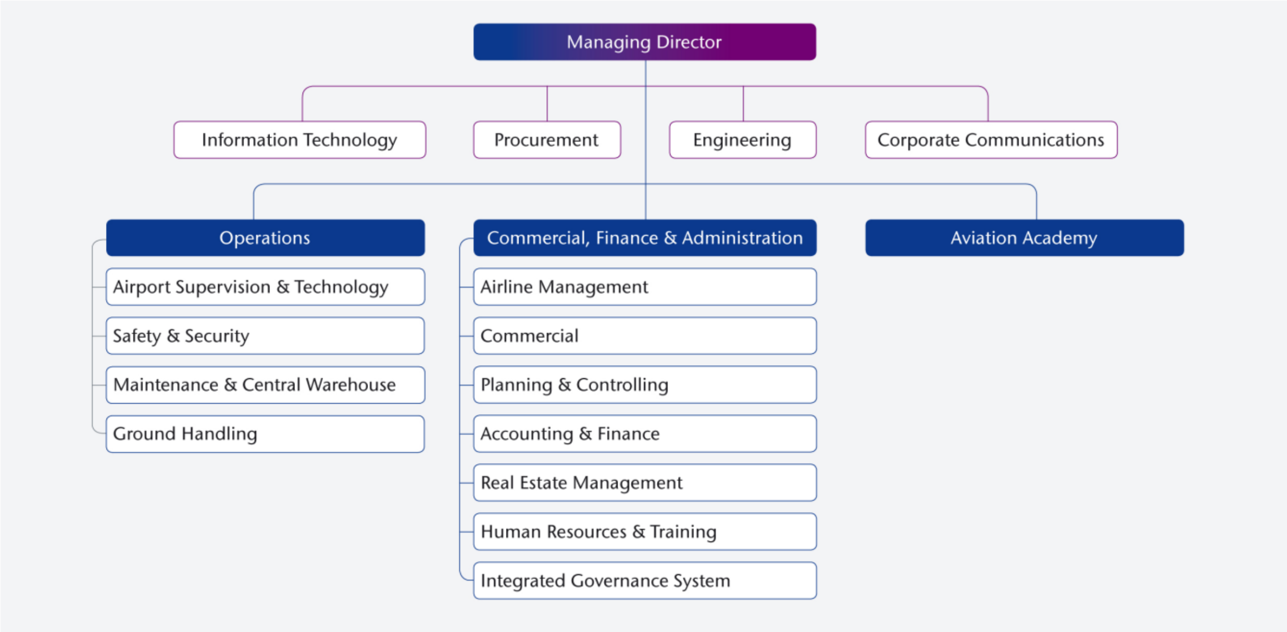


Figure 1: Organisational structure

1.3.3 INTERNATIONAL ACTIVITIES

Through our membership of various professional associations, we take the opportunity to network with long-standing colleagues and exchange best practices.

The company continued its activities as a member of various expert groups operating under the aegis of ACI Europe. Fraport Slovenija has a member in the advisory group within the policy committee, whose role is preparing strategic guidelines for ACI Europe's leadership, and coordinating and liaising with other committees and working groups. We sat on the Aviation Security Committee, which deals with the issue of civil aviation security at airports and suggests solutions in this particular field. We also remain a member of the Regional Airports Forum, and the Digital Communications Forum.

We also exchange new know-how and experience at meetings organised at the Fraport Group level.

1.4 CORPORATE GOVERNANCE STATEMENT

Pursuant to the provisions of the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the senior management of Fraport Slovenija d.o.o. hereby provides the following corporate governance statement for the period of 1 January to 31 December 2020.

Fraport Slovenija, d.o.o. is solely owned by Fraport AG Germany. It therefore implements the recommendations of the German Corporate Governance Code (last version 2019). Fraport Slovenija is incorporated as a limited liability company. It has just one owner and the organisational structure does not include a supervisory board. Bodies of the company are both management and sole owner, exercising their functions and powers in accordance with the provisions of the Companies Act-1. The ongoing tasks of the sole owner in accordance with the Deed of establishment are performed by an authorized body, namely the Investor's Committee. These facts result in certain departures from the recommendations of the German Corporate Governance Code namely, mainly in the part governing supervision, composition of the supervisory board and procedures of the supervisory board, which will be further explained bellow:

A. Management and supervision

- Fraport Slovenija does not implement the provisions of chapter A in the part which pertains to the supervisory board, as it is not established

B. Appointments to the Management Board

- Fraport Slovenija does not implement the first time appointment time limitation for the members of the Management (Recommendation B.3). The implementation is not done as the nomination of the management is the full jurisdiction and responsibility of the sole owner.
- Fraport Slovenija does not implement the age limitation for the members of the Management (Recommendation B.5). The implementation is not done as the nomination of the management is the full jurisdiction and responsibility of the sole owner.

C. Composition of the Supervisory Board

- Fraport Slovenija does not implement the provisions of chapter C as the Supervisory board is not established

D. Supervisory Board Procedures

- Fraport Slovenija does not implement the provisions of chapter D as the Supervisory board is not established

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 owner, in its operations the company follows the requirements of the sole owner, which sets out the company's governance and business policies in the form of joint policies at the level of all the affiliates in the group. 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

Fraport Slovenija 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 system is tailored to the internal control system of the Fraport Group.

Each business process has its contacts with other business processes identified, and comes with reference documentation citing the person responsible for each individual activity. The comprehensive management of business processes also extends to the inherent risks and internal controls. We set out efficiency and performance indicators, and methods for controlling and measuring the effectiveness of individual processes. A systemic approach is taken to identifying the risks that can arise in individual activities within business processes, and to putting in place the internal controls for managing these risks. In 2020 we integrated our business continuity plan and risk management at the strategic and operational levels, which has given us a comprehensive view for identifying critical areas and drawing up various measures to ensure stable operations.

As an operator of critical infrastructure (the airport), Fraport Slovenija is required under the Critical Infrastructure Act to draw up a risk assessment for the functioning of this critical infrastructure.

The risk assessment forms the basis for assessing measures to protect critical infrastructure, and relies on the identification, analysis and evaluation of various sources of risk to the functioning of critical infrastructure.

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

Internal auditing

In organisational terms, the internal audit function is directly accountable to the senior management, and is separate from other organisational units. Internal auditing has been conducted at the company since 2000. The basic area of work consists of the internal controls in connection with the management of all the business risks and other risks to which the company is exposed. When assessing whether the internal controls are adequate and fit for purpose, the permanence and reliability of their functioning are also examined. The internal audit department carries out its work on the basis of the work plan, and in line with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

The aim of the planned internal auditing tasks is to help the company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness and efficiency of corporate governance, risk management and control processes. Assessments of the possibility of errors and fraud and of compliance with rules are also components of audits, and are considered when each audit is planned and executed. The internal audit department reports on its work directly to the senior management.

Internal audits were conducted in the following areas in 2020: daily checks of the functionality of safety equipment, records of work hours, and receivables management. Given the Covid-19 situation, internal auditing was smaller in scope.

Recommendations were made on the basis of the internal audits, for which deadlines were set, together with the persons responsible for implementation. There is regular follow-up of recommendations, and corresponding reporting.

External auditing

On the basis of a resolution passed by Investor's Committee on 16 April 2020, the company's financial statements for 2020 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 controlled by the sole owner, who has final responsibility for issues relating to the company's business.

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

The sole owner 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 owner 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.

Investor's Committee

Via the resolution establishing an investor's committee, the sole owner may authorise the Investor's Committee to exercise all or some of its powers in connection with the company on its behalf.

The Investor's Committee consists of three members appointed by the sole owner. In 2020 the members of the committee were as follows: Holger Schaeffers (president), Alexander Laukenman (member) and Kai Peter Holger Zobel (member) till 31.7.2020, Tamara Weyer (member) from 1.8.2020 on. All members of the committee are from Fraport AG Frankfurt Airport Services Worldwide.

The Investor's Committee holds the authorisations set out by the sole owner's resolution establishing an investor's committee, or by the company's bylaws when the bylaws are adopted by means of a resolution by the sole owner.

Management of the company

The everyday business of the company is directed by its senior management. The senior management directs the business, is authorised to act as statutory representative for the company and to act on its behalf in legal transactions with third parties, and holds other authorisations set out by the articles of association or by a resolution by the sole owner.

The senior management consists of the managing director. The company's managing director is Zmago Skobir. He graduated from the Faculty of Law at the University of Ljubljana, before passing his bar exam at Ljubljana Higher Court and taking his specialisation at the law faculty in Belgrade. He has a wealth of experience in aviation and tourism.

The company's outward statutory representation is undertaken by the managing director and one procurator.

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

In the circumstances known to us at the moment when each legal transaction was executed, Fraport Slovenija d.o.o. obtained appropriate consideration in all 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 PERFORMANCE IN 2020 AND PLANS FOR 2021

2.1 SITUATION IN EUROPEAN AVIATION

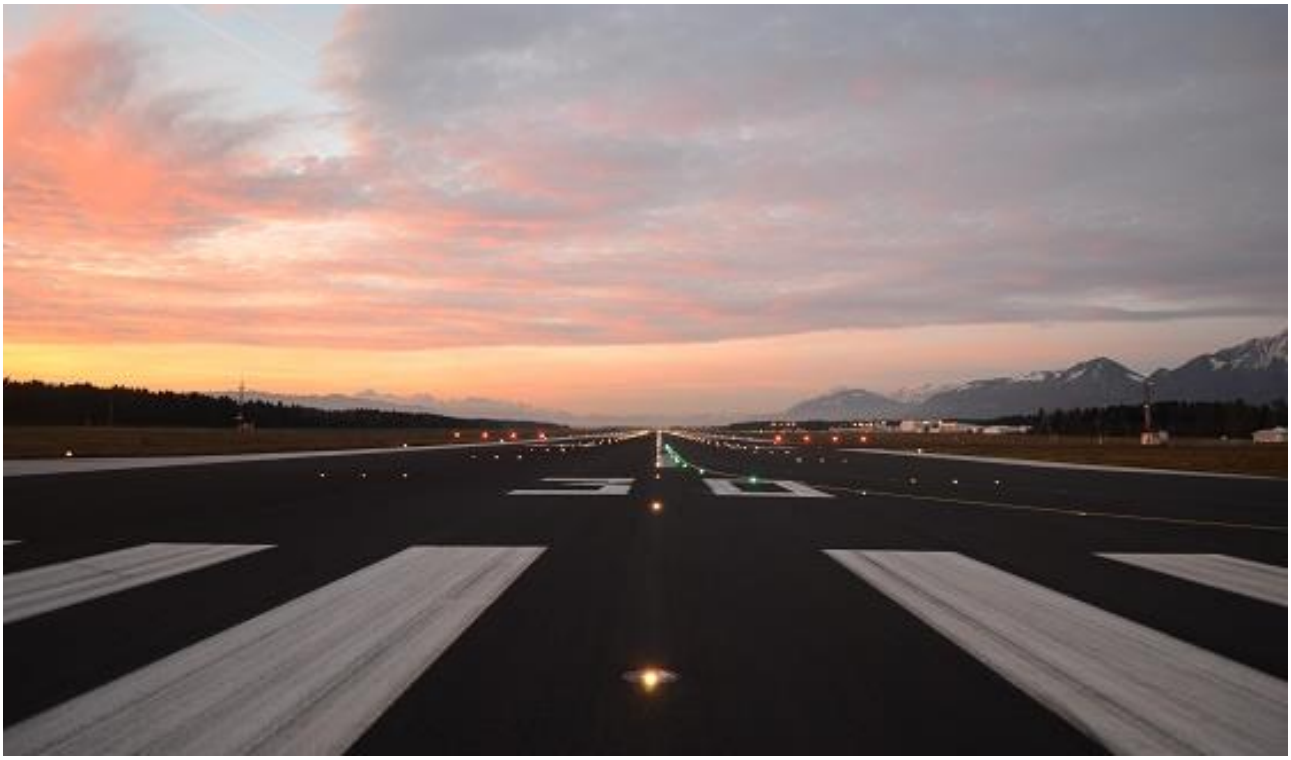
The Covid-19 pandemic brought a drastic decline in traffic and passenger numbers in the global aviation industry in 2020, and has reduced airline capacity for the near future.

IATA published estimates for the global aviation industry showing that airline companies recorded losses of USD 84.3 billion in 2020, with a profit rate of -20.1%. Revenues declined by more than 50%, from USD 838 billion in 2019 to USD 419 billion in 2020.

According to Alexandre de Juniac, director-general and CEO of IATA, 2020 will be the worst financial year in aviation history. Each day saw the industry lose an average of USD 230 million. Total losses were estimated at USD 84.3 billion, which means that the survival of many firms depends on their getting sufficient financial support from governments.

According to IATA forecasts, the level of air traffic and passenger numbers from 2019 will not be regained until 2024, assuming that the Covid-19 vaccine is widely available in mid-2021. IATA is forecasting global losses of USD 15.8 billion for aviation firms in 2021, with revenues of USD 598 billion.

The hope is that the worst of the decline in air traffic is behind us now. The key to recovery is the general application of measures to reboot the sector and improve the epidemiological situation, mainly through vaccination. This is an important element of the economic recovery, as tourism accounts for approximately 10% of global GDP, and much of it depends on aviation.



2.2 ECONOMIC SITUATION IN SLOVENIA

The Covid-19 pandemic, in combination with strict health and protection measures, has hit economic activity hard. The stringent containment measures deployed worldwide and in Slovenia caused a sharp decline in economic activity as non-essential services (food services, sport, arts and recreation, personal services and hotel accommodation services) were shut down, while activity was curtailed in many other service sectors in the second and final quarters of last year, and in industry in the second quarter. The IMAD is estimating that GDP declined by 6.6% in 2020.

There was a sharp decline in both imports and exports (14% and 12% respectively) last year, as a result of the adverse influence of the international environment, and foreign and domestic containment measures. Given the decline in demand, and the great uncertainty, which is affecting investment decisions by firms, there was a fall of more than 6% in corporate investment in 2020, in buildings and in machinery and equipment alike. The run-down of inventories will also have a major negative impact on GDP growth. Owing to the restrictions on movement and sales during lockdown, when there were limited opportunities to spend, and the increased uncertainty and precautionary saving, private consumption is projected to have declined by 10% in 2020, although disposable income will be similar to the previous year thanks to the government support measures. Government consumption strengthened during the crisis.

Employment is thought to have declined by 1.2% in 2020, while unemployment has risen by approximately 15%.

Inflation was virtually at zero, mainly on account of falling energy prices, while inflation in most other categories of goods and services also slowed compared with previous years.

The key factors in the pace of the recovery in 2021 will remain the epidemiological situation, the speed of the vaccine rollout, and the policy response through measures to alleviate the impact of the epidemic and to reboot the economy. The IMAD forecasted that the stringent containment measures will only be eased gradually over the winter because of the epidemiological situation, and the recovery will thus be pushed back to the second quarter of 2021. Economic growth in Slovenia is forecasted to reach 4.3% over the year. The pre-epidemic level of economic activity will only be regained in 2022.

2.3 IMPACT OF THE COVID-19 PANDEMIC ON THE PERFORMANCE OF FRAPORT SLOVENIJA

The airport’s performance until mid-March of 2020 was normal and in line with its plans. The outbreak of the pandemic in March brought a dramatic downturn in the business conditions. On 17 March the government banned passenger flights in Slovenia in order to curb the spread of coronavirus, and the ban was kept in place until 11 May. During this period only cargo flights, special non-passenger flights and government flights were allowed. Despite the lifting of the ban, scheduled services were severely curtailed over the summer, and passenger numbers were down 87% on the same period of the previous year.

The second wave of the Covid-19 pandemic in the autumn brought a renewed downturn, and the number of countries from which it was possible to enter Slovenia without restrictions fell, which in turn led to more flight cancellations. Passenger numbers in the final quarter were down 91% on the same period of the previous year. Only Lufthansa, Air Serbia and Turkish Airlines maintained scheduled services over the winter.

In light of the impact of the Covid-19 pandemic, revenues from airport services and ground handling services were down 68% on 2019.

Instead of increasing as planned, revenues from commercial services were almost halved as a result of the decline in air traffic caused by the Covid-19 pandemic. Retail and catering services, transport and parking services, and advertising largely depend on passenger traffic, and so it was these segments that saw the largest declines relative to 2019, in the amount of 72% to 83%.

Fraport Slovenija responded to the pandemic through various measures in conjunction with the National Institute of Pulic Health. From the beginning of the pandemic, the company has put the health and safety of its staff, business partners and passengers (i.e. its users) in prime position, and has taken full account of the recommendations for preventing the spread of the virus. A risk assessment was made, and instructions for carrying out processes in special conditions were compiled. The latter included the urgent procurement of PPE for staff, hand sanitiser, work equipment (glass barriers), and temperature measurement devices. Cleaning and disinfection processes were intensified to ensure that all facilities are clean and protected against infection. A Covid-19 testing point was also set up for passengers.

Staff planning and work organisation was arranged to avoid unnecessary exposure, thereby reducing the risk of staff infections.

Where possible (primarily in administration), staff were allowed to work from home, while reduced operations meant that some workers were furloughed.

The drastic decline in revenues of airport and groundhandling services, the high level of fixed costs, and the vital investment in the new passenger terminal required the cost optimisation measures, without any adverse effects on airport safety. Under the laws on intervention measures to mitigate and eliminate the consequences of the COVID-19 epidemic for citizens and the economy, in 2020 the company took advantage of partial refunds of wage compensation for temporary layoffed employees and for short-time work, and partial relief from pension and disability insurance contributions.

These measures and the government aid to cover labour costs led to a reduction in operating expenses excluding amortisation/depreciation of EUR 10.8 million compared with 2019. The main reductions in operating expenses comparing to 2019 were as follows:

- Under a redundancy programme, 82 employees were made redundant and left the company in August and September. Six employees were retired.
- In period form March to Decemer, part of employees was on temporary layoff or on short-time work as follows:
  - The headcount of temporary layoffed employees and employees on short-time work is calculated on the basis of full-time equivalent (FTE): March 124 FTE, April 269 FTE, May 245 FTE, June 159 FTE, July 47 FTE, August 19 FTE, September 17 FTE, October 17 FTE, November 67 FTE, December 50 FTE.
  - The government subsidies under the temporary layoff and the short-time work scheme totalled EUR 1,690 thousand, which the company recorded as a reduction in labour costs.
  - Temporary layoffed employees received 80% of full salary and no meal or transport allowance.
- All promotions, bonus payments to leaders for 2020, and performance-related bonuses for staff were frozen in 2020. Staff incentives were reduced from 10% to 5% in the final quarter of 2020.
- There was no hiring of agency staff or student workers, and consulting services were reduced.
- With different measures the consumption of energy, supplies, and maintenance materials, and maintenance costs for infrastructure and equipment (excluding IT) were reduced to the most urgent.
- Incentives for airlines based on attachement to Charges List Airport Services and Ground Handling Services and advertising were reduced.
- Representation costs and business travel expenses were frozen, and only the most vital training was conducted.

- The decline in traffic and the process changes helped to reduce costs from security services, aircraft landing and parking services, the business lounge, air traffic control, and the civil aviation agency.
- Cleaning services were reduced and insourced.

Planned investments and projects were postponed wherever possible, with only those that were most vital to ensuring safety and continuity going ahead. Work continued on the construction of the new passenger terminal, a strategic investment that is key to the airport's long-term development, with investment of more than EUR 20 million.

Investment in equipment, IT and infrastructure other than the new passenger terminal was reduced by EUR 5 million from the original plan, or postponed to subsequent years.

The priorities were ensuring liquidity for current operations, and the investment in the new passenger terminal. Despite the investment in the construction of the new passenger terminal, the company saw no threat to its liquidity in 2020, thanks to the streamlining measures put in place, and the financing of the new passenger terminal by the owner Fraport AG, which refrained from profit distributions in previous years. The company signed an agreement in 2020 with Fraport Malta Business Services Ltd for two loans in the total amount of EUR 15 million, one of which was a long-term loan of EUR 12 million with a maturity of 12 years. The company will use the loans to provide sufficient liquidity for finishing the new passenger terminal, and in case of an economic downturn and the persistence of the Covid-19 pandemic into the autumn of 2021.

Given the heavy losses suffered by the company in 2020, the Slovenian government and the European Commission approved a onetime grant in the amount of EUR 5 million to cover the closure of the airport and the ban on passenger traffic between 17 March and 30 June 2020. The company is expected to receive the grant by the end of April 2021.

There was no weakening of the company's credit risk management, and we consistently uphold all procedures prescribed by credit insurers. The decline in revenues brought a decline in receivables. Customers' payments are monitored on a daily basis, and measures to mitigate credit risk are taken as necessary. There has been no significant deterioration in payment discipline, despite the struggles of the economy.

2.4 MARKET POSITION AND MARKETING ACTIVITIES

2.4.1 MARKET POSITION

The Covid-19 pandemic brought a drastic reduction in traffic at all competitor airports in the region in 2020. Traffic was down 73% at Zagreb, 76% at Venice and 73% at Trieste. The figures for the first eleven months of the year show falls of 80% in passenger numbers at Graz, and 75% at Klagenfurt.

The early part of 2020 had begun very encouragingly for Ljubljana Airport. Despite the bankruptcy of Slovenia's flag carrier in late 2019, the vast majority of scheduled services had been restored. Scheduled services to Amsterdam, Belgrade, Berlin, Brussels, Charleroi, Frankfurt, Helsinki, Istanbul, Kiev, London Gatwick, London Heathrow, London Luton, London Stansted, Madrid, Moscow, Munich, Niš, Paris, Podgorica, Tel Aviv, Warsaw and Zürich had been announced for the 2020 summer timetable.

The Covid-19 pandemic and the resulting two-month closure of the airport, the travel restrictions and lockdown, and the significant decline in demand saw Ljubljana Airport suffer a dramatic fall in the number of flights and capacity on the Istanbul, Zürich, Belgrade, Podgorica, Frankfurt, Paris, Charleroi, London Gatwick and Warsaw routes. The number of flights fell as the epidemic evolved, and by the end of the year the only services being operated were to Frankfurt, Istanbul and Belgrade.

The pandemic forced Fraport Slovenija to turn to the Ministry of Economic Development and Technology with a proposal for allocating government aid to airlines that fly to Ljubljana Airport in 2020 or 2021. Our efforts resulted in the publication of a tender worth EUR 5 million promoting the restoration of Slovenia's flight connections.

The first of three phases were completed in November 2020. The government subsidy in the first phase amounted to EUR 985,320 and was divided between eight airlines: Turkish Airlines, Swiss International Air Lines, Air Serbia, Montenegro Airlines, Lufthansa, Air France, Wizz Air and LOT Polish Airlines.

Two further phases of the tender worth a total of EUR 3.5 million follow in 2021. Another important point is that by applying to the tender the recipients of the funding in the first phase committed to operating scheduled services at Ljubljana Airport in 2021.

2.4.2 TRAFFIC AND AIRPORT SERVICES

After a promising start of 2020, when Fraport Slovenija succeeded in replacing the majority of the traffic lost when the domestic flag carrier went bankrupt, and the announcement of new airlines in the summer timetable, the Covid-19 pandemic hit in March. This radically changed the travel industry, and with it the aviation industry, with many countries putting restrictions in place. Thus, on 17 March the government banned passenger flights in Slovenia in order to curb the spread of coronavirus. Ljubljana Airport was limited to cargo traffic only during this period. As a result of the containment measures put in place by the majority of European countries, passenger numbers were down 73% in March, and fully 99.8% in April. Even though the airport reopened to passenger traffic on 12 May, the closure of other airports and the introduction of mandatory quarantine at border crossings meant that there was practically no passenger traffic in May.

	Actuals 2020	2019	Change 20 / 19	Breakdown, % 2020	2019
PASSENGER NUMBERS	**291.910**	**1.727.136**	**-83%**	**100**	**100**
PUBLIC TRANSPORT	288.235	1.721.355	-83%	98,7	99,7
Domestic airlines	0	739.207	-100%	0	42,8
Foreign airlines	288.235	982.148	-71%	98,7	56,9
GENERAL AVIATION	3.644	5.560	-34%	1,2	0,3
OTHER	31	221	-86%	0	0
AIRCRAFT MOVEMENTS	**12.980**	**31.489**	**-59%**	**100**	**100**
PUBLIC TRANSPORT	6.634	23.624	-72%	51,1	75
Domestic airlines	535	12.125	-96%	4,1	38,5
Foreign airlines	6.099	11.499	-47%	47	36,5
GENERAL AVIATION	5.750	6.999	-18%	44,3	22,2
OTHER	596	866	-31%	4,6	2,8
MTOW	**371.499**	**1.229.312**	**-70%**	**100**	**100**
PUBLIC TRANSPORT	302.438	1.150.339	-74%	81,4	93,6
Domestic airlines	3.745	515.638	-99%	1	41,9
Foreign airlines	298.693	634.701	-53%	80,4	51,6
GENERAL AVIATION	32.920	35.096	-6%	8,9	2,9
OTHER	36.141	43.877	-18%	9,7	3,6
CARGO TONNAGE	**23.154**	**24.875**	**-7%**	**100**	**100**
Air	10.084	10.095	0%	43,6	40,6
Truck	11.812	12.864	-8%	51	51,7
Mail	475	1.271	-63%	2	5,1
Other	783	646	21%	3,4	2,6

After the stringent containment measures were lifted by certain European countries, some airlines returned to Ljubljana Airport in June. Scheduled services were nevertheless severely curtailed over the summer. Tour operators organised a series of flights to the Greek islands in the summer.

At the end of the summer the epidemiological situation in Europe deteriorated again. The number of countries from which it was possible to enter Slovenia without restrictions fell, which in turn led to more flight cancellations. Only Lufthansa, Air Serbia and Turkish Airlines maintained scheduled services over the winter.

As a result of aforementioned restrictions, Ljubljana Airport served just 291,910 passengers in 2020, down 83.1% on 2019. The number of aircraft movements also fell: at 12,980 it was down 58.8% on the previous year.

Cargo tonnage at Ljubljana Airport was down 6.9% on the previous year, as air tonnage declined by 0.1%, mail tonnage declined by 62.7% and truck tonnage declined by 8.2%. The decline in mail tonnage was attributable to the fall in the number of passenger services, where most of the mail is carried.

Commercial activities

Instead of growing as forecast, commercial activities virtually halved as a result of the Covid-19 pandemic, in line with the fall in passenger traffic. Retail and catering services, transport and parking services, and advertising largely depend on passenger traffic, and so it was these segments that saw the largest declines relative to 2019, in the amount of 72% to 83%. The revenue gap could not be filled even if supplementary activities, such as airport tours, special promotional events, and the rental of space to a karting provider were pushed. The rental of existing real estate to logistics firms and aircraft maintenance providers remains stable.

During the crisis caused by the Covid-19 pandemic and the profound downturn in the economic position of firms primarily or largely dependent on passenger air traffic, with the aim of maintaining their long-term relationship Fraport Slovenija made temporary arrangements with tenants to alleviate their adverse economic position. Various measures were put in place for individual segments, and were agreed on a quarterly basis and adjusted to passenger traffic and to other changes of circumstance. The most common measure was an extension of payment terms to bridge liquidity difficulties, but in individual cases agreements were also reached to reduce fixed rents, to offer exemptions from mandatory minimum rents, to reduce operating costs and to cancel rented parking spaces in the transport segment.

The majority of revenues from parking space are generated by passenger traffic, which was down 72% on the previous year. There were also declines in shuttle services, rent-a-car services, electric vehicles and car sharing. Streamlining at firms in the tourism sector brought a sharp decline in the proportion of rented parking space, and the number of parking spaces rented with permits also fell.

The crisis also reduced or even halted investment in parking infrastructure. The planned construction of an additional parking spaces for the airport community was postponed, given the delay in the new hangar projects and the parking needed for them. The renovation of the existing parking system will be undertaken, albeit in a smaller scope. The upgraded system will initially bring better analytics, the option of paying parking fees with payment card, and later the option of advance purchase online.

Key changes were underway in the catering segment even before the outbreak of the Covid-19 pandemic. Our long-term airline catering partner decided to leave the Slovenian market when its contract expired, given the significant reduction in catering work, which it mostly provided for Adria Airways which ceased operation in October 2019. With the government ordinance of 16 March 2020 temporarily closing all restaurants and bars began a tough period for the remaining F&B providers, on airside and landside, that generate their revenues from passengers, visitors and the airport community. The end of the year saw the last catering provider on the landside leave the airport early. One of the most important activies in 2020 was the preparation of a new F&B environment for the time after the recovery and the opening of the terminal expansion as of 1 July 2021.

The drastic decline in the target advertising audience had an adverse impact on long-term and short-term advertising campaigns, and saw advertising revenues decline by 78%. A temporary cut in rental fees for advertising space was proposed for partners, with the aim of maintaining relationships over the medium term. Thanks to the construction of the new terminal, and the digital transformation, 2020 saw increased investment in digital media, including a centralised platform for monitoring and managing digital media, wireless access points, and the airport website (lju-airport.si).

A positive development was achieved in logistics, with July's opening of the new UPS logistics facility.

Given the trend of increase in logistics services, in 2021 our activities will focus on the active marketing of land parcels with utilities connections for the construction of logistics centres, which will help increase the airport's revenues.

2.5 PERFORMANCE ANALYSIS

2.5.1 OPERATING RESULT

in thousand EUR	Realization 2020	Realization 2019	Change 2020/2019	Proportion 2020	Proportion 2019
Operating revenues	**18.062**	**47.276**	**-61,8%**	**100,0**	**100,0**
Net sales revenue	16.758	45.321	-63,0%	92,8	95,9
Capitalized own services	250	294	-15,1%	1,4	0,6
Other operating revenues	1.054	1.661	-36,6%	5,8	3,5
Operating expenses	**25.712**	**36.445**	**-29,4%**	**100,0**	**100,0**
Costs of materials and services	6.636	10.959	-39,5%	25,8	30,1
Costs of materials	1.135	1.845	-38,5%	4,4	5,1
Costs of services	5.501	9.115	-39,6%	21,4	25,0
Labour costs	12.802	16.220	-21,1%	49,8	44,5
Depreciation/amortisation	5.536	5.442	1,7%	21,5	14,9
Other operating expenses	739	3.823	-80,7%	2,9	10,5
Operating profit before interest, taxes and depreciation/amortization - EBITDA	**-2.114**	**16.273**	**-113,0%**	**-11,7**	**34,4**
Operating profit - EBIT	**-7.650**	**10.831**	**-170,6%**	**-42,4**	**22,9**
Net finance income/expenses	**-395**	**-350**	**-12,8%**		
Finance income	3	77	-96,7%		
Finance expenses	398	427	-6,9%		
Profit (or loss) before tax	**-8.045**	**10.481**	**-176,8%**		
Income tax expense	0	2.449	-100,0%		
Deferred tax	1.738	-701	347,8%		
Net profit	**-6.308**	**8.733**	**-172,2%**		

The net loss of EUR 6,308 thousand recorded in 2020 was attributable to the drastic fall of more than 80% in passenger air traffic and consequently in revenues driven by the Covid-19 pandemic and the containment measures put in place by governments. EBIT was negative in the amount of EUR 7,650 thousand, as operating expenses were higher than operating revenues, despite streamlining measures, cost optimisation, and the take-up of government funding for furloughed workers and the partial refund of fixed costs.

Operating revenues were down 61.8% on 2019 at EUR 18,062 thousand, while operating expenses were down 29.4%. In December the government approved aid for the partial coverage of fixed costs in the amount of EUR 815 thousand, which increased the proportion of total operating revenues accounted for by other operating revenues to 5.8% in 2020.

The decline of almost 30% in operating expenses was primarily driven by the austerity measures taken by the company during the pandemic, and the government subsidies for furloughed workers. The largest declines were in other operating expenses (81%), costs of materials and services (39%) and labour costs (21%).

Finance income declined by EUR 74 thousand in 2020 as a result of a decline in income from default interest and financial assets.

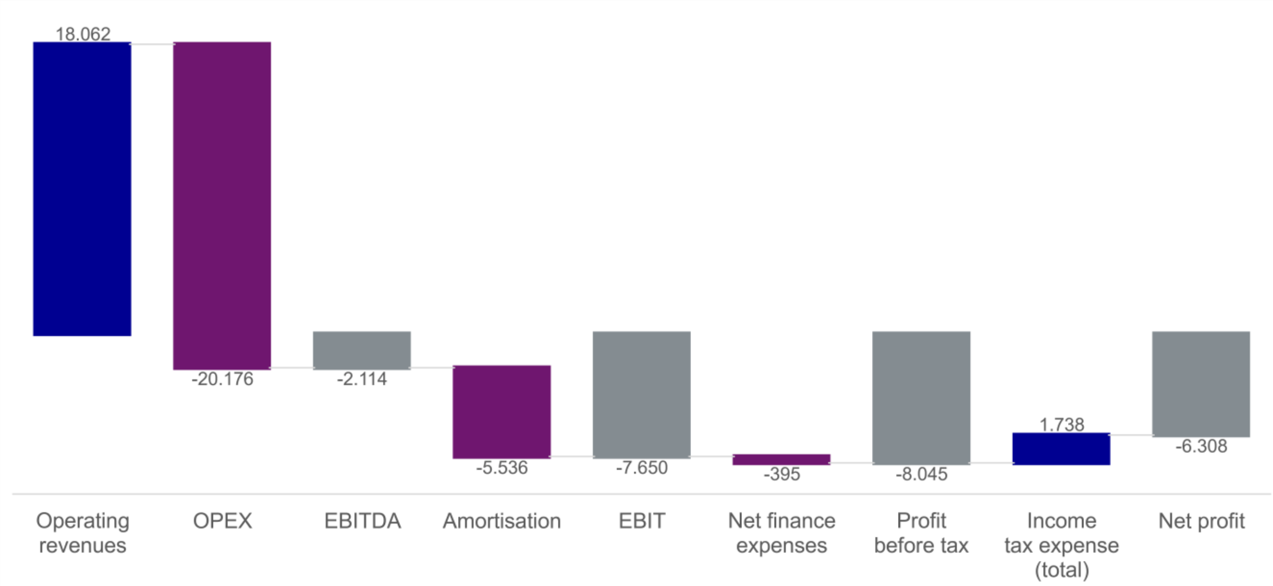


Figure 1: Operating result

Operating revenues

in thousand EUR	Operating revenues 2020	2019	Change 2020/2019
Airport services	6.153	24.194	-74,6%
Commercial services	5.563	10.602	-47,5%
Ground handling services	5.041	10.497	-52,0%
Other operating revenues	1.305	1.983	-34,2%
OPERATING REVENUES[1]	**18.062**	**47.276**	**-61,8%**

Operating revenues amounted to EUR 18,062 thousand in 2020, down 61.8% on 2019 as a result of the decline in passenger air traffic caused by the Covid-19 pandemic and the containment measures put in place by governments.

[1] In 2020, the definition of revenues from commercial services and groundhandling services was changed, namely revenues from commercial services now included revenues from reimbursement of costs from tenants (formerly included in other operating revenues) and revenues from groundhandling services include now revenues from warehousing for cargo traffic (formerly included in revenues from commercial services). As a result of these changes, the data for 2019 have been adjusted.

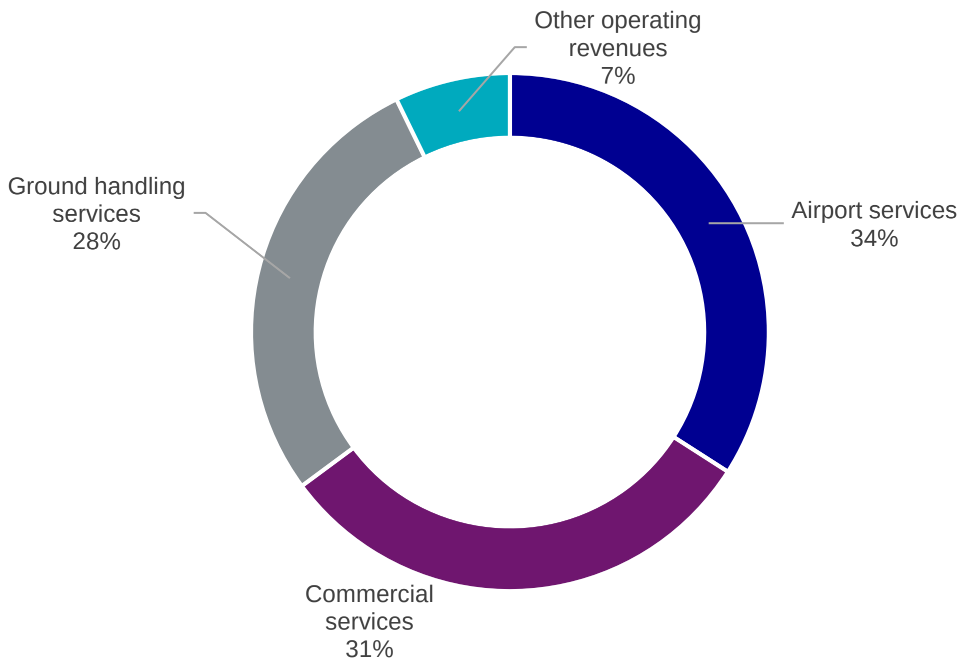


Figure 2: Breakdown of operating revenues

Revenues declined in all segments. The largest decline was recorded in airport services, where revenues were down 74.6%. Revenues from commercial services were down 47.5%, while revenues from ground handling services were down 52%. Other operating revenues recorded the smallest decline, of 34.2%. The reason that other operating revenues accounted for a large share of total revenues was in 2019 the cashed insurance of the receivables because of the bankruptcy of Adria Airways, and in 2020 the received government grant to cover fixed costs in the amount of EUR 815 thousand.

Operating expenses

in thousand EUR	Operating expenses 2020	2019	Index 2020/2019
Labour costs	12.802	16.220	-21,1%
Costs of services	5.501	9.115	-39,6%
Depreciation/ amortisation	5.536	5.442	1,7%
Costs of materials	1.135	1.845	-38,5%
Other operating expenses	739	3.823	-80,7%
OPERATING EXPENSES	**25.712**	**36.445**	**-29,4%**

Operating expenses amounted to EUR 25,712 thousand in 2020, down 29.4% on 2019.

The decline in operating expenses was related to the decline in traffic and the streamlining and cost optimisation measures put in place because of the Covid-19 pandemic. These are described in detail in Section 2.3 (Impact of the Covid-19 pandemic on the performance of Fraport Slovenija).

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

The largest component of operating expenses was labour costs, followed by amortisation/depreciation costs, costs of services, costs of materials and other operating expenses. All costs other than amortisation/depreciation costs were down on 2019.

Other operating expenses were down significantly in 2020, having increased sharply in 2019 on account of impairments of receivables from Adria Airways.

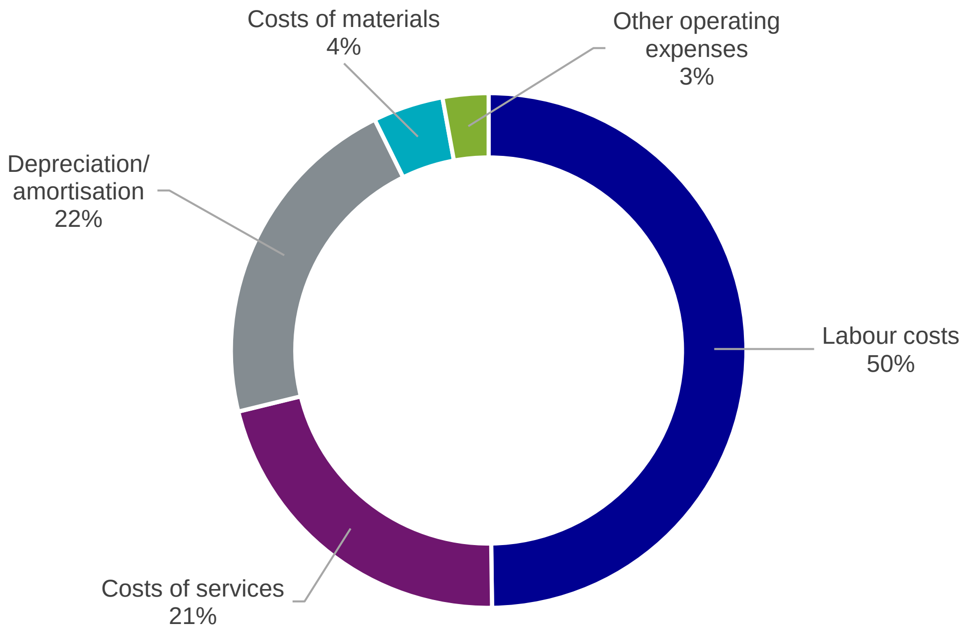


Figure 3: Breakdown of operating expenses

Energy costs (*electricity, heating fuel and motor fuel*) accounted for more than half of all costs of materials, while other major items included non-durables, materials for current maintenance, and cleaning materials. *Security services* accounted for almost a third of *costs of services*, while the other major items are *maintenance services, intellectual services, Civil Aviation Agency services*, and *insurance premiums*.

STATEMENT OF FINANCIAL POSITION

in thousand EUR	31. 12. 2020	31. 12. 2019	Change 2020/2019	Proportion 2020	Proportion 2019
ASSETS	**127.102**	**132.212**	-3,9%	**100,0**	**100,0**
Non-current assets (total)	**111.344**	**100.147**	11,2%	**87,6**	**75,7**
Intangible assets	1.370	1.675	-18,2%	1,1	1,3
Tangible assets	106.967	97.203	10,0%	84,2	73,5
Other non-current assets	3.007	1.269	136,9%	2,4	1,0
Current assets (total)	**15.758**	**32.065**	-50,9%	**12,4**	**24,3**
Cash and cash equivalents	11.988	27.430	-56,3%	9,4	20,7
Current operating receivables	3.337	4.272	-21,9%	2,6	3,2
Other current assets	434	363	19,4%	0,3	0,3
EQUITY AND LIABILITIES	**127.102**	**132.212**	-3,9%	**100,0**	**100,0**
Equity	**107.381**	**113.703**	-5,6%	**84,5**	**86,0**
Non-current liabilities (total)	**11.937**	**12.104**	-1,4%	**9,4**	**9,2**
Current liabilities (total)	**7.784**	**6.405**	21,5%	**6,1**	**4,8**

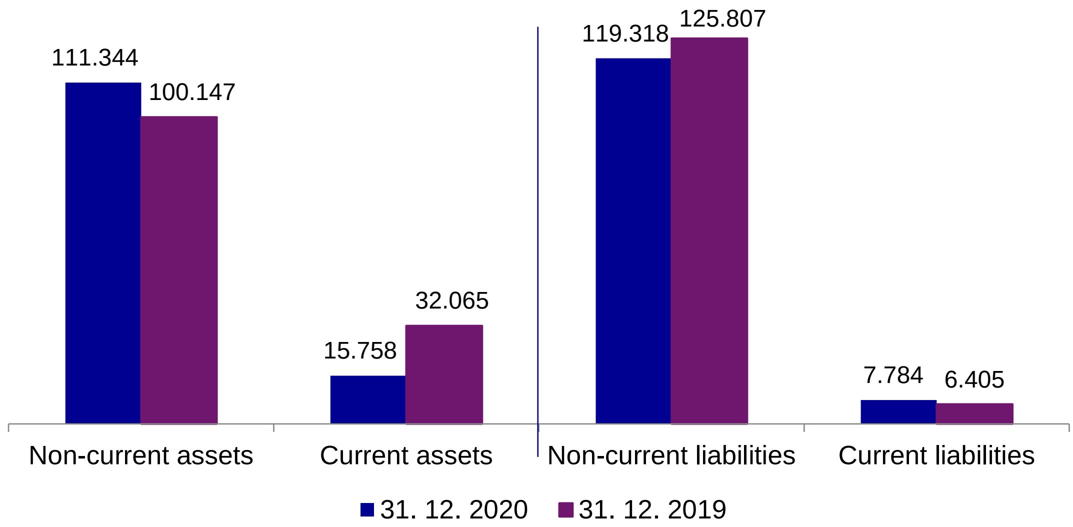


Figure 4: Assets and liabilities by maturity

In the breakdown of **assets**, *non-current assets* accounted for 87.6% of the total. The company's intensive investment driven by the construction of the new passenger terminal led to an increase of 11.6% in *property, plant and equipment* relative to 31 December 2019.

Current assets, which accounted for 12.4% of total assets as at 31 December 2020, were down 50.9% on 31 December 2019, primarily as a result of declines in current operating receivables and in cash. Current operating receivables were down just 21.9% on 31 December 2019, at EUR 3,337 thousand. That the fall in current operating receivables was not larger was attributable to an increase in receivables from the government for subsidies for the partial coverage of fixed costs, and overpaid corporate income tax prepayments. Cash was down 56.3% at EUR 11,988 thousand. The decline was driven by high outflows for the investment in the new passenger terminal and a drastic decline in inflows from airport services.

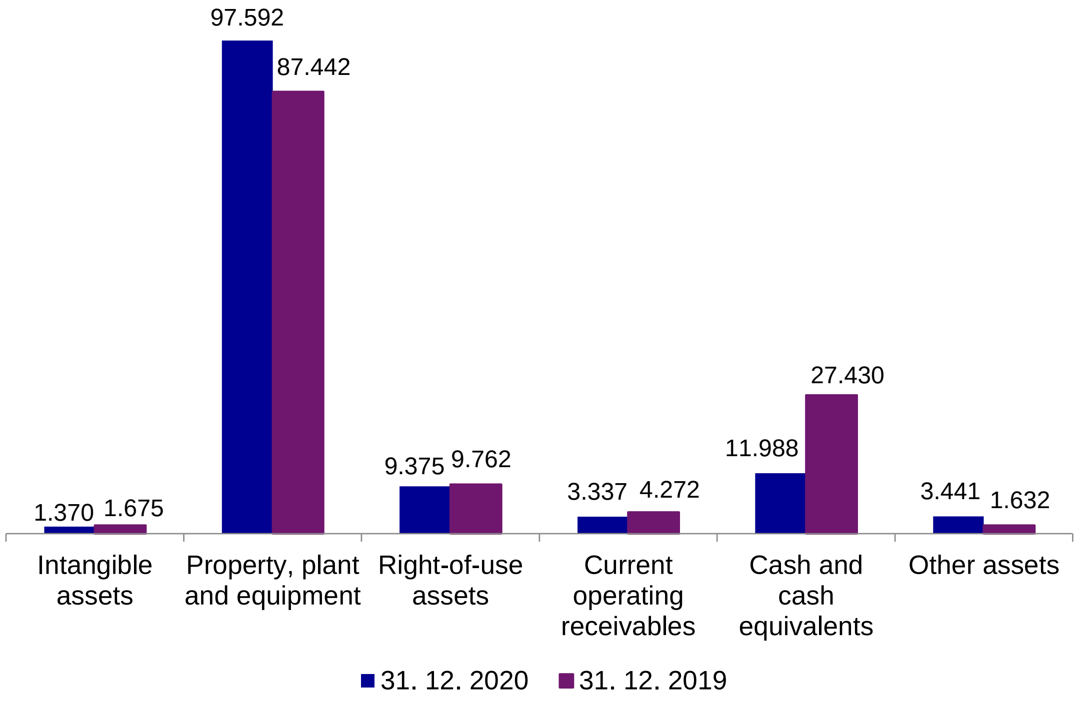


Figure 5: Assets

Non-current liabilities in the amount of EUR 119,318 thousand accounted for 93.9% 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 in the amount of EUR 107,381 thousand accounted for the majority of non-current liabilities, and 84.5% of total equity and liabilities, while other non-current liabilities accounted for 9.4% of total equity and liabilities.

Current liabilities accounted for 6.1% of total equity and liabilities, and primarily comprised current operating liabilities in the amount of EUR 7,784 thousand, or 6.1% of total equity and liabilities.

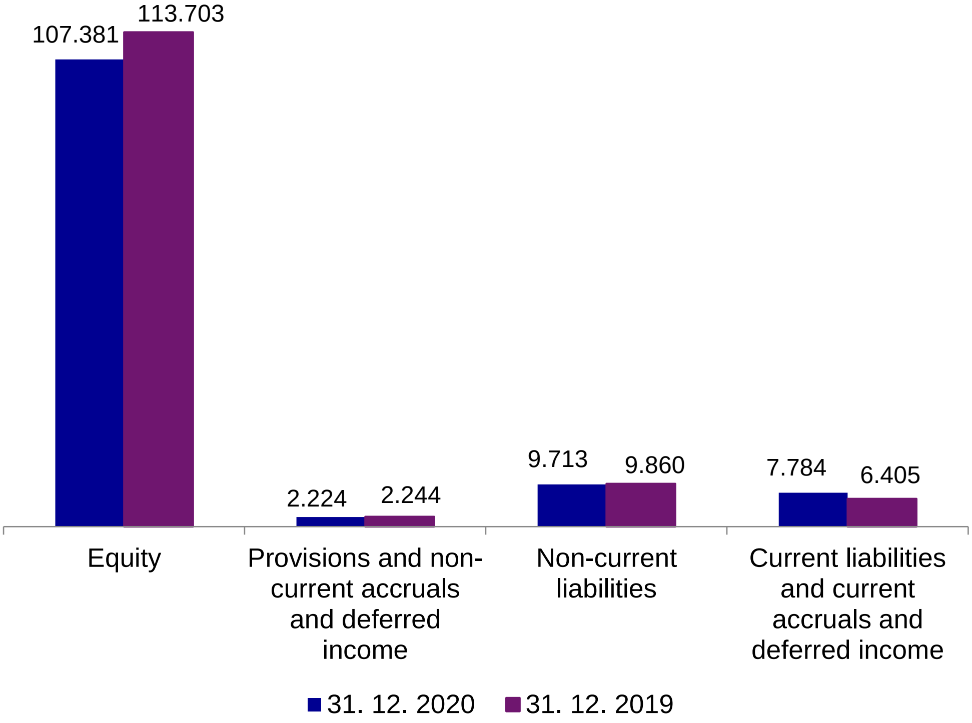


Figure 6: Equity and liabilities

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

2.5.2 FINANCIAL MANAGEMENT

There was no threat to the company's liquidity in 2020: despite the high outflows for the investment in the new passenger terminal and a drastic decline in inflows from airport services, it was able to regularly settle all of its operating liabilities.

The company is primarily financed via equity. The investments made in 2020 and in the previous years have been financed in full by internal resources, and the company has no non-current financial liabilities. Non-current operating liabilities disclosed in the balance sheet as at 31 December 2020 primarily relate to liabilities for the general superficies fee.

The company plans to draw down a long-term loan in 2021 to partly finance investment, and to cover a potential economic downturn and the persistence of the Covid-19 pandemic into the autumn of 2021.

2.6 INVESTMENTS

A total of EUR 15,229 thousand was invested in infrastructure and equipment in 2020, of which EUR 13,125 thousand was earmarked for infrastructure, while the remainder was spent on airport equipment (EUR 1,490 thousand) and computer equipment (EUR 115 thousand).

in thousand EUR	2020	2019	Change 2020/2019
Intangible assets	409	390	5%
Infrastructure, related equipment and land	13.125	8.540	54%
IT equipment (hardware)	115	117	-2%
Airport equipment	1.490	1.802	-17%
Total	**15.229**	**10.849**	**40%**

Work continued on the construction of the new passenger terminal, which will bring 10,000 m^2 of extra space. The owner took the decision in April 2020 to move ahead with the project without interruption. Given the current drastic falls in the number of flights and passenger numbers caused by the epidemic, the existing capacity is sufficient, but the current terminal is so outdated as to no longer meet the standards that the airport wants to offer passengers. A longer interruption to the project would also lead to a significant rise in the cost of the investment on account of contractual obligations.

All other non-essential investment in infrastructure and equipment was suspended after the outbreak of the Covid-19 pandemic.

Given the interest expressed by investors in a joint commercial project on airport land in the vicinity of the new terminal, land was purchased to consolidate the parcels.

EUR 1,490 thousand was earmarked for airport equipment, while we invested EUR 524 thousand in computer equipment in 2020, of which EUR 409 thousand was in software and EUR 115 thousand in hardware.

2.7 EMPLOYEES

The company had a headcount of 395 as at 31 December 2020, of whom 387 were permanent and eight were temporary employees. The workforce is predominantly male (290 employees or 73.4% of the total). The headcount was down 83 on 31 December 2019, as 22 employees were hired and 105 left the company.

In the wake of the Covid-19 pandemic and the resulting decline in air traffic, the company was forced to put a redundancy programme in place in July 2020; it made 82 employees redundant under the programme. Six other employees took early retirement. It should be noted that eight of the employees made redundant were rehired in the autumn, when the cleaning services for commercial premises were insourced. Other departing employees terminated their own employment, retired before the epidemic, or saw their temporary employment contracts expire. The size of the workforce is thus being strategically maintained at a level where we will be able to handle aircraft, passengers and cargo safely and diligently when air traffic increases again.

Age breakdown of workforce

The average age of the workforce was 44.2 at the end of 2020.

There were 254 employees aged between 31 and 50 (64.3% of the total), 39 aged between 19 and 30 (9.9%), and 102 aged 51 or older (25.8%).

Qualifications breakdown

Five employees earned improved qualifications in 2020: one was awarded a master's degree, one a two-year tertiary qualification, one a secondary qualification, and two university-level qualifications.

We will continue to encourage our staff to gain higher qualifications.

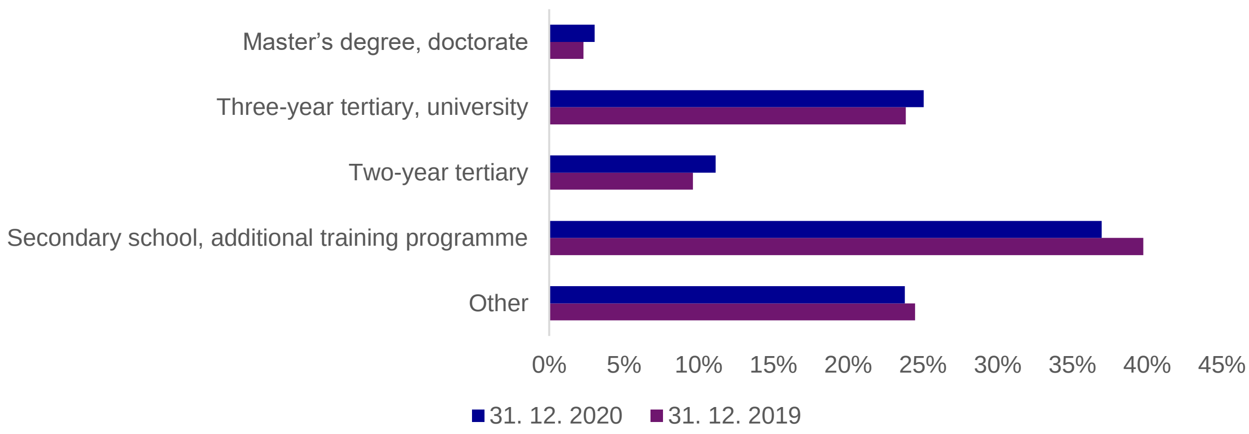


Figure 7: Qualifications breakdown of workforce

Cooperation with educational institutions and practical training

Practical training was provided in 2020 for one university student and two school students from three different schools and faculties. They received a total of 1,007 hours of training, down 2,219 hours on the previous year. The significant decline in practical training was attributable to measures related to the Covid-19 pandemic. We maintained good relations with educational institutions, and will continue to do so in the future.

Staff training

Only the most urgent training was carried out in 2020, because of the Covid-19 pandemic. Staff training nevertheless remains one of the strategic priorities at the company, as top-level staff have traditionally been one of our competitive advantages. In keeping with our position in the service sector, where a great deal of highly specific knowledge is required, we encourage in-house training, and also training at educational institutions inside and outside Slovenia.

The majority of the training in 2020 was professional training in the workplace, followed by licensing training, training in the handling of dangerous substances, and foreign language lessons.

Intervention measures in connection with the Covid-19 pandemic

Under the laws on intervention measures to mitigate and eliminate the consequences of the COVID-19 epidemic for citizens and the economy, the company took advantage of partial refunds of wage compensation for temporary layoffed employees and partial relief from pension and disability insurance contributions (for a monthly average of 22.4% of the workforce between March and December, the peak coming in April), the subsidisation of short-time work (for an average of 0.8% of the workforce over the last three months, peaking in October), and refunds of compensation for absence for the purposes of childcare or when ordered to quarantine for a smaller number of employees.

2.8 PLANS FOR 2021

European air traffic is forecast to reach 51% of its pre-pandemic level in 2021. Our expectation is that passenger numbers at the airport will not exceed 600,000 in 2021, just 34% of the pre-epidemic figure. A gradual recovery is anticipated in the summer.

Given the uncertainty surrounding the pace of the recovery in passenger air traffic in 2021, which depends heavily on the rollout of vaccines in the global population, it is impossible to accurately forecast the company's financial performance in 2021, but its target for this year nevertheless remains attaining a positive EBITDA.

With regard to the evolution of the epidemiological situation and the resulting pace of the recovery in public air traffic, the senior management will take additional measures with the aim of attaining the company's targets, and will make use of government subsidy instruments during the Covid-19 pandemic.

Despite the decline in traffic, and the continuation and completion of the investment in the new passenger terminal, the company's liquidity in 2021 is not compromised because two loans have been approved in the total amount of EUR 15 million, one of which is a long-term loan of EUR 12 million with a maturity of 12 years.

3 RISK MANAGEMENT

Fraport Slovenija is part of the Fraport Group's risk management 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 senior management is responsible for risk management. The company has a designated risk management officer, and links with the relevant departments at the level of the Fraport Group.

Every quarter the company reports at group level on all material and high risks, the measures taken to manage these risks, and the changes since the last reporting period. Risk management is supported by a diverse mechanism of internal controls and internal auditing (Section 1.4.1 of the Business Report).

More on risk management at the Fraport Group can be found in the group's most recent annual report, which is available online at https://www.fraport.com/en/investors/publications.html.

Risks are identified at the company at the level of strategic objectives and also at the process level. In addition, risks related to IT, occupational safety, the environment, and compliance are monitored separately from financial risks.

The risk management process encompasses risk identification and assessment, measures to avoid or mitigate risks, and control and reporting. Risk assessment provides the basis for classifying risks into four different categories, and involves the determination of the probability of the risk, and an assessment of the scale of damage that the risk might cause, as illustrated in the table below.

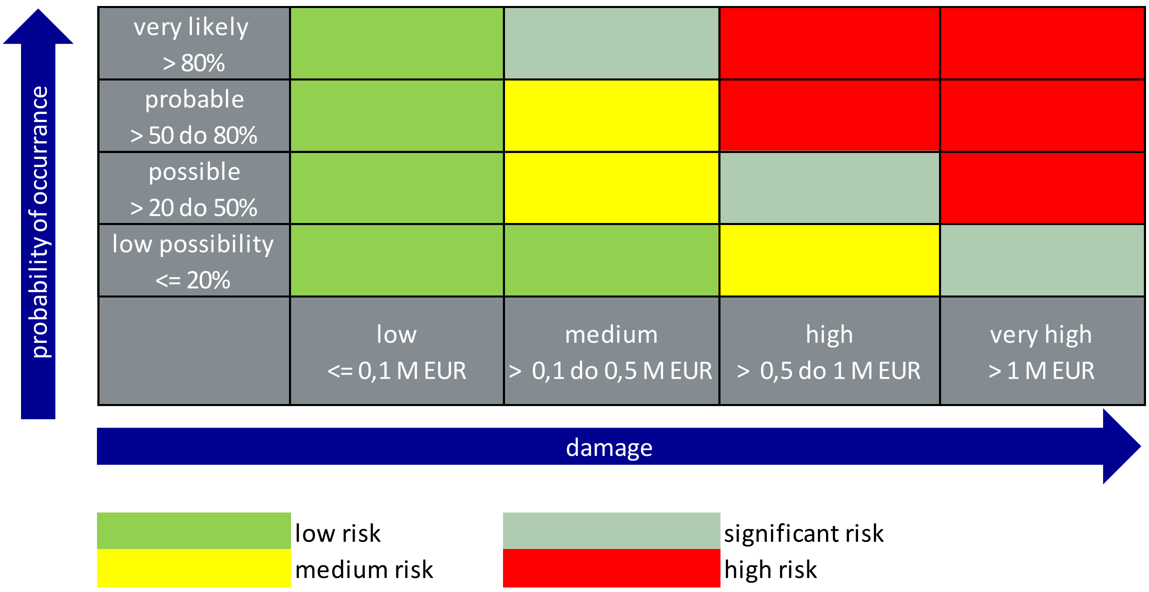


Figure 8: Risk classification

We regularly monitor all changes in domestic and European legislation that could have an impact on the company's performance, and respond as appropriate by proposing changes. We also monitor the performance of our largest customers, and undertake marketing to retain existing traffic and attract new traffic. The risk monitoring methods introduced at the company allow for the early warning of changes, and rapid action immediately after the identification of any such risk.

The risk of the spread of coronavirus had the largest impact on the company's performance in 2020. The company responded with a number of measures to ensure the health and safety of its employees, business partners and passengers, and to alleviate the impact of the Covid-19 pandemic, with the aim of keeping the airport open and working. More on the measures can be found in Section 2.3 (Impact of the Covid-19 pandemic on the performance of Fraport Slovenija).

Financial risks

The key to the company's stable performance is managing the financial risks that it faces on a daily basis.

Credit risk is managed by monitoring business partners, by obtaining credit assessments and information from the environment, by coordinating open items, and by consistently charging default interest, issuing reminders and pursuing recovery. The company also holds credit insurance with an insurer for some of its receivables.

There was an increase in liquidity risk as a result of the Covid-19 pandemic and the decline in revenues. Thanks to the measures taken by the company (see Section 2.3 Impact of the Covid-19 pandemic on the performance of Fraport Slovenija), liquidity risk is assessed as low.

The interest rate risk to which the company is exposed is also low: it does not have any interest-bearing liabilities, nor does it hold any financial assets whose interest is tied to changes in interest rates.

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

Financial risks are disclosed in quantitative terms in point 5.4 of the Financial Report.

Compliance

The company is now integrated into the Fraport Group compliance system. The company has a compliance officer, who is appointed by the senior management.

The code of ethics and the standards of conduct set out the fundamental principles and rules that company employees and other persons working at Fraport Slovenija are required to uphold. They include the principles and rules that the company applies to protect staff and the company itself from the risk of breaches of, non-performance of or non-compliance with contractual and other obligations in connection with employment, and to protect the reputation of the company and every single member of staff. An ethics committee has been established to oversee the implementation of the code of ethics. Its tasks encompass the collection, processing and analysis of written and oral reports of breaches of ethical conduct and other irregularities at the company. The ethics committee did not receive any reports of breaches of the code of ethics in 2020.

A compliance committee has been set up to monitor and improve the entire compliance system. Its purpose is to discuss reports of compliance breaches, to prevent conflicts of interest on the part of employees by reviewing their family member declarations, and to assess what types of conflicts of interest have arisen and their consequences. The compliance committee had no breaches to deal with in 2020.

Fraport Slovenija also manages risks in the area of personal data protection, HR risks, IT risks, risks to occupational health and safety, environmental risks, safety risks and security risks. Management of all of these risks is integrated into the comprehensive risk management system at the company.

4 SUSTAINABLE DEVELOPMENT

The health crisis caused by coronavirus, which exposed the vulnerabilities in human society, also brought a major benefit to the planet. Last year's practically empty skies resulted in a dramatic fall in carbon emissions. A crisis that brought so much uncertainty and worry also brings opportunities. For all our futures. According to some forecasts made before the pandemic, air traffic was expected to double by 2037, which would entail a tenfold rise in its shares of emissions by 2050. It is therefore the duty of all of us in the aviation industry to ensure that when it rebounds, it comes back better, and above all more responsibly. The joint efforts of all stakeholders will therefore focus on a sustainability overhaul of our industry, where it is important to seek a balance between rebooting the economy and reducing climate risks.

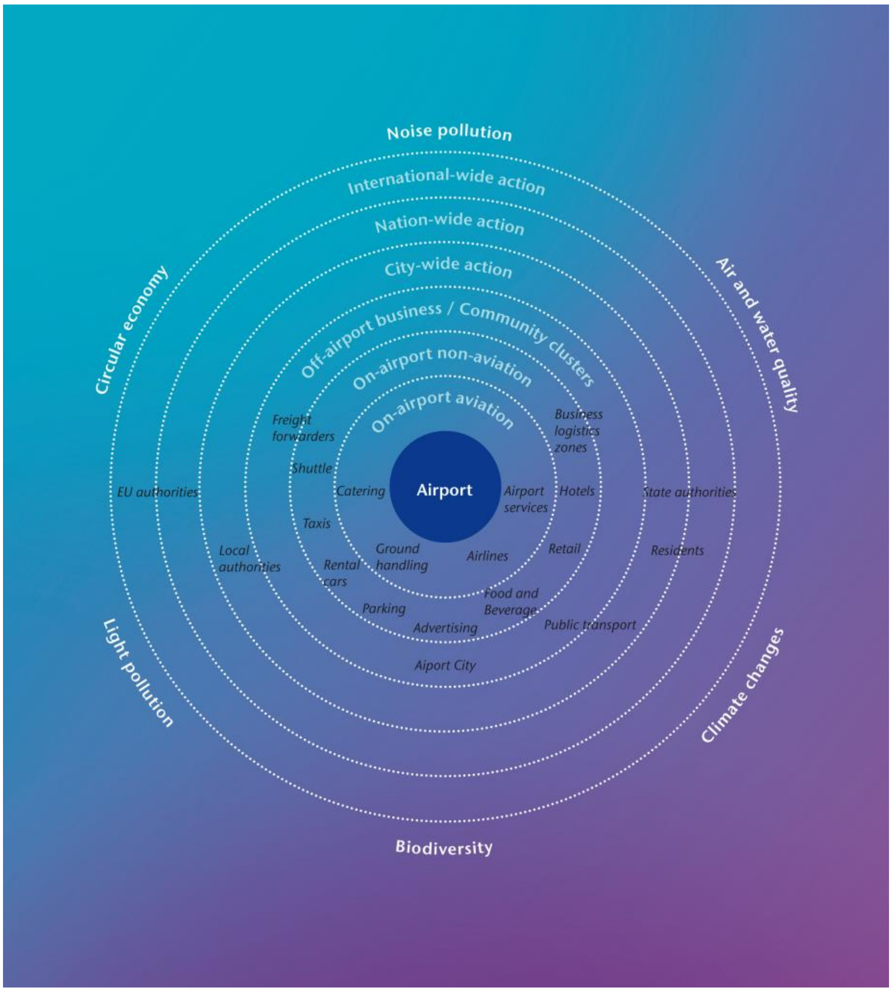
We know that our sector has an adverse impact on the environment, and we are therefore aware of all aspects that have a significant environmental impact, while at the same time we manage other risks factors related to the environment. Our strategic target is to be carbon neutral by 2025. With new investments in energy efficiency and renewables, in the circular economy and in a fleet of low-carbon vehicles, each year we are taking steps to meet this ambitious target.

Legislation requires us to conduct not only periodic monitoring of environmental noise emissions, but also regular measurements of flue gases from boilers and other heating appliances. We report regularly to the national environmental authorities and agencies on our management of waste and ozone-depleting substances. In addition, we measure 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.

Significant environmental aspects

For us sustainable development entails more than just the company acting with social responsibility in line with laws, rules and regulations. As an employer and a key player in the Slovenian economy, we are aware of the responsibility that we have towards our staff, to society, to the environment, and to other stakeholders, and so we diligently monitor our impact on sustainability and build stakeholder relations wherever we can.

Sustainability impacts and stakeholder relations



Several years ago, the company undertook environmental commitments and set strategic objectives as part of its environmental policy. These remain our watchword 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. With regard to noise, we will endeavour to ensure that it does not transgress the permitted levels. We are reducing our carbon footprint through a variety of measures, and are applying circular waste management and wastewater management. We will improve our energy efficiency by switching to environmentally more acceptable energy resources and renewables. 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.

One of the important goals is reducing emissions of greenhouse gases, which is why in 2013 Fraport Slovenija joined the Airport Carbon Accreditation Programme, which is the only institutionally recognised standard for certifying the management of airport carbon footprint. 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. Under our energy strategy, the central energy facility came online in 2020, and will ensure the efficient supply of thermal and cooling energy to the entire airport from a single location. The new passenger terminal, which is currently under construction, will also be connected to the facility. We are also devoting quite some attention to sustainable mobility, for which reason we are investing in the electrification of transport equipment, and are making it possible for our staff to use electric vehicles for work trips and office bikes for moving around the airport zone.

Reducing noise is another important objective for us to attain. As the operator of Ljubljana Airport, we have been addressing the problem of aircraft noise and its impact on the local residents for more than a decade now. 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 conjunction with the Ministry of Infrastructure we also sought a suitable location for planting a green anti-noise barrier between the airport and Šenčur.

Nature conservation is another of our strategic priorities. The controlled coexistence of aircraft and birds is vital in the airport zone. The basic knowledge of how to coexist with birds was acquired in a long-term environmental study. The study provided insight into the state of biological populations, the presence of attraction factors, and the preparation of measures to reduce bird levels and to monitor them. We also work ceaselessly to identify and introduce new approaches based on advanced systems for monitoring and reducing bird levels. The main aim of our interventions is to reduce the availability of food. In line with the recommendations of the study, we have arranged for suitable technical equipment and proper staff training.

The company has set up an apiary in the airport grounds with ten beehives. They produced more than 100 kg of honey in 2020, which was used as gifts for business partners. Bee products are also a good indicator of environmental pollution levels, and are analysed to shed light on our environmental impact. The analysis shows no sign of any failure to comply with environmental requirements.

The aviation sector also has an important role to play in meeting the UN's sustainable development goals and the EU's climate change targets, as it contributes to climate change and noise pollution, and reduces air and water quality in the local environment. We aim to hit these targets ourselves, and thus have defined priority areas for the company's sustainability activities.

Priority areas in the company's sustainability activities in relation to the UN sustainable development goals

3 GOOD HEALTH AND WELL-BEING	Occupational health and safety Air quality Noise reduction
4 QUALITY EDUCATION	Attractive and responsible employer Value creation and cooperation in the region where we operate Fraport Aviation Academy
5 GENDER EQUALITY	Ensuring a work environment characterised by diversity, equal possibilities and respect Ensuring a balance between work and private life
6 CLEAN WATER AND SANITATION	Preserving the environment and protecting the nature (also water resources)
7 AFFORDABLE AND CLEAN ENERGY	Efficient use of energy Renewable energy sources Sustainable mobility
8 DECENT WORK AND ECONOMIC GROWTH	Economic efficiency Growth and development of Fraport Group Attractive and responsible employer Value creation and cooperation in the region where we operate
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Customer satisfaction and quality of services Growth and development of Fraport Group
11 SUSTAINABLE CITIES AND COMMUNITIES	Air quality Noise reduction Sponsorships and donations in the local and national environment
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Occupational health and safety Efficient use of energy Renewable energy sources Preserving the environment and protecting the nature
13 CLIMATE ACTION	Efficient use of energy Renewable energy sources Sustainable mobility
15 LIFE ON LAND	Preserving the environment and protecting the nature (particularly birds)
17 PARTNERSHIPS FOR THE GOALS	Fraport Slovenija as a member of the international Fraport Group, is an active supporter and implementer of the internationally adopted standards, guidelines and principles, in particular UN Global Compact principles, the commitment to reducing air emissions from international aviation, guidelines for transition to a circular economy, General Declaration of Human Rights, United Nations Conventions and ILO fundamental labour standards, as well as OECD guidelines for multinational corporations.

Our achievements to date in the area of environmental and social responsibility are examined in detail in our annual sustainability report. The sustainability reports can be found on the following link:

[http://www.fraport-slovenija.si/sl/podjetje/varstvo-okolja/.](http://www.fraport-slovenija.si/sl/podjetje/varstvo-okolja/)

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, as adopted by the European Union. 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 2020 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

Zg. Brnik, 14. April 2021

2 INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fraport Slovenija, d.o.o. (the "Company") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2020;
- the income statement and other comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the statement of changes in equity for the year then ended;
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and 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 those requirements and with the IESBA Code.

PricewaterhouseCoopers d.o.o.
Cesta v Kleče 15, SI-1000 Ljubljana, Slovenija
T: +386 (1)5836 000, F:+386 (1) 5836 099, www.pwc.com/si
Matična št.: 5717159, davčna št.: SI35498161
Družba je vpisana v sodni register pri Okrožnem sodišču v Ljubljani pod vložno številko 12156800 ter v register revizijskih družb pri Agenciji za javni nadzor nad revidiranjem pod številko RD-A-014/94. Višina vpisanega osnovnega kapitala je 34,802 EUR. Seznam zaposlenih revizorjev z veljavno licenco za delo je na voljo na sedežu družbe.

pwc

Reporting on other information including the Business report

Management is responsible for the other information. The other information comprises the Business Report, which is a constituent part of the Annual Report of the Company (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the Business Report, and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With the respect to the Business Report, we also performed procedures required by the Slovenian Companies Act. Those procedures include assessing whether the Business Report is consistent with the financial statements for the same financial year and whether the Business Report was prepared in accordance with applicable legal requirements.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Business Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Business 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 Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatement in the Business report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

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 independent 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 independent auditor's report to the related disclosures in 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 independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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.

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

Damjan Ahčin
Certified auditor

Ljubljana, Slovenia, 14. 04. 2021

This version of our report is a translation from the original, which was prepared in Slovenian. 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. 2020	31. 12. 2019
ASSETS		**127.101.972**	**132.212.110**
Non-current assets (total)		**111.343.835**	**100.147.250**
Intangible assets	5.1.1	1.369.622	1.674.651
Property, plant and equipment	5.1.2	97.592.074	87.441.842
Right-of-use assets	5.1.3	9.375.126	9.761.571
Non-current operating receivables		59.873	59.873
Deferred tax assets	5.1.4	2.947.140	1.209.313
Current assets (total)		**15.758.137**	**32.064.860**
Current assets excluding prepayments and accrued income		**15.671.288**	**32.042.264**
Inventories		346.718	340.581
Current operating receivables	5.1.5	3.336.793	4.271.876
Cash and cash equivalents	5.1.6	11.987.777	27.429.807
Currrent prepayments and accrued income		**86.849**	**22.596**
EQUITY AND LIABILITIES		**127.101.972**	**132.212.110**
Equity	5.1.7	**107.380.846**	**113.703.218**
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		-305.120	-309.025
Retained earnings		23.621.807	29.948.084
Liabilities (total)		**19.721.126**	**18.508.892**
Non-current liabilities (total)		**11.937.148**	**12.104.145**
Provisions and non-current accruals and deferred income	5.1.8	**2.224.229**	**2.244.012**
Provisions for jubilee benefits and termination benefits		1.515.711	1.596.519
Non-current accruals and deferred income		708.518	647.493
Non-current liabilities		**9.712.919**	**9.860.133**
Non-current operating liabilities	5.1.9	635.550	534.698
Non-current lease liabilities	5.1.10	9.077.369	9.325.435
Current liabilities (total)		**7.783.978**	**6.404.747**
Current liabilities		**6.960.494**	**5.716.144**
Current financial liabilities	5.1.11	1.063	0
Current operating liabilities	5.1.12	6.370.418	5.130.333
Current lease liabilities	5.1.13	589.013	585.811
Current accruals and deferred income	5.1.14	**823.484**	**688.603**

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 OTHER COMPREHENSIVE INCOME

in euros

Income statement	Notes	1.–12.2020	1.–12.2019
Operating revenues	5.2.1	**18.061.616**	**47.275.823**
Net sales revenue		16.758.332	45.320.631
Capitalised own services		249.602	293.887
Other operating revenues		1.053.682	1.661.305
Operating expenses	5.2.2	**-25.711.753**	**-36.444.651**
Costs of materials and services		**-6.635.638**	**-10.959.383**
Costs of materials		-1.134.718	-1.844.881
Costs of services		-5.500.920	-9.114.502
Labour costs		**-12.801.867**	**-16.220.463**
Depreciation/amortisation		**-5.535.715**	**-5.441.837**
Other operating expenses		**-738.533**	**-3.822.968**
Operating profit (EBIT)		**-7.650.137**	**10.831.172**
Net finance income/expenses		**-395.274**	**-350.452**
Finance income		**2.515**	**76.935**
Finance expenses	5.2.3	**-397.789**	**-427.387**
Pre-tax profit		**-8.045.411**	**10.480.720**
Income tax expense	5.2.4	0	-2.448.605
Deferred tax	5.2.4	1.737.827	701.280
Net profit/loss for the period		**-6.307.584**	**8.733.395**

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

in euros

Statement of other comprehensive income	Notes	1.–12.2020	1.–12.2019
Net profit for the period		**-6.307.584**	**8.733.395**
Items that subsequently will not be reclassified to profit or loss		**3.906**	**-157.388**
Unrealised actuarial profit/loss from post-employment benefits		-14.788	-168.012
Realised actuarial loss (after payment of post-employment benefits)		18.694	10.624
Total other comprehensive income for the period	5.2.5	**3.906**	**-157.388**
Total comprehensive income for the period		**-6.303.678**	**8.576.007**

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	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit corrected for deferred tax		**-8.045.412**	**8.032.115**
Adjustment for:		**5.070.989**	**8.468.509**
- income tax expense recognised in the income statement		0	2.448.606
- amortisation/depreciation of intangible assets and property, plant and equipment		5.535.716	5.441.837
- gain/loss on disposal/elimination of intangible assets and property, plant and equipment		-36.451	-89.659
- impairment of receivables		243.821	3.355.442
- creation/reversal of provisions		-100.733	203.536
- other non-cash transactions		-569.322	-298.803
- finance income		-50	-285
- finance expenses		393.147	421.727
- income tax expense paid		-395.139	-3.013.892
Cash flow from operating activities, excluding working capital		**-2.974.423**	**16.500.624**
Change in operating receivables		1.511.719	-3.525.269
Change in prepayments and accrued income		-64.253	202.454
Change in inventories		-6.136	1.573
Change in operating liabilities		1.759.642	699.800
Change in accruals and deferred income		-45.407	-12.562
Net cash flow from operating activities		**181.142**	**13.866.620**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investing activities		**269.127**	**725.792**
Proceeds from disposal of property, plant and equipment		269.127	725.774
Proceeds from disposal of current financial assets		0	18
Finance expenses for investing		**-15.892.278**	**-12.955.337**
Payments for intangible assets and property, plant and equipment		-15.260.468	-12.323.527
Payments for decrease of lease liabilities		-631.810	-631.810
Net cash flow from investing activities		**-15.623.151**	**-12.229.545**
Net increase in cash and cash equivalents		**-15.442.009**	**1.637.075**
Opening balance of cash and cash equivalents		27.429.807	25.792.606
Effect of foreign exchange differences on cash and cash equivalents		-21	126
Cash and cash equivalents at the end of the period		**11.987.777**	**27.429.807**

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 from previous years	Net profit for the financial year	Total equity
1. 1. 2019	**15.842.626**	**24.287.659**	**4.013.029**	**12.039.085**	**27.881.760**	**-151.637**	**9.319.280**	**11.870.051**	**105.101.853**
Net profit from the previous year	0	0	0	0	0	0	11.870.051	-11.870.051	0
Net profit for the period	0	0	0	0	0	0	0	8.733.395	8.733.395
Other comprehensive income for the period	0	0	0	0	0	-157.388	0	0	-157.388
Draw-down of actuarial deficit	0	0	0	0	0	0	-10.624	0	-10.624
Write-off of liabilities for dividends	0	0	0	0	0	0	35.982	0	35.982
31. 12. 2019	**15.842.626**	**24.287.659**	**4.013.029**	**12.039.085**	**27.881.760**	**-309.025**	**21.214.689**	**8.733.395**	**113.703.218**
1. 1. 20120	**15.842.626**	**24.287.659**	**4.013.029**	**12.039.085**	**27.881.760**	**-309.025**	**21.214.689**	**8.733.395**	**113.703.218**
Net profit from the previous year	0	0	0	0	0	0	8.733.395	-8.733.395	0
Net profit for the period	0	0	0	0	0	0	0	-6.307.584	-6.307.584
Other comprehensive income for the period	0	0	0	0	0	3.905	0	0	3.905
Draw-down of actuarial deficit	0	0	0	0	0	0	-18.693	0	-18.693
Covering the net loss for the financial year	0	0	0	0	0	0	-6.307.584	6.307.584	0
31. 12. 2020	**15.842.626**	**24.287.659**	**4.013.029**	**12.039.085**	**27.881.760**	**-305.120**	**23.621.807**	**0**	**107.380.846**

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

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 14 April 2021.

4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS

Statement of compliance

The financial statements for 2020 and 2019 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 5.1.8 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 5.1.5 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	2020	2019
ASSETS			
Non-current operating receivables	Non-financial asset	59.873	59.873
Current operating receivables		3.336.793	4.271.876
- Current trade receivables	Financial asset	1.825.396	3.863.649
- Other operating receivables	Financial asset	1.511.397	408.227
Cash and cash equivalents	Financial asset	11.987.777	27.429.807
Currrent prepayments and accrued income		86.849	22.596
- Currrent prepayments and accrued income	Non-financial asset	86.849	22.121
- Currrent prepayments and accrued income	Financial asset	0	475
EQUITY AND LIABILITIES			
Non-current operating liabilities		635.550	534.698
- Non-current operating liabilities	Financial liability	289.946	189.094
- Non-current operating liabilities	Non-financial liability	345.604	345.604
Non-current lease liabilities	Financial liability	9.077.369	9.325.435
Current operating liabilities		6.370.418	5.130.333
- Current trade payables	Financial liability	4.853.265	3.507.159
- Other current liabilities	Financial liability	1.517.154	1.623.174
Current lease liabilities	Financial liability	589.013	585.811
Current accruals and deferred income		823.484	688.603
- Current accruals and deferred income	Financial liability	423.938	605.449
- Current accruals and deferred income	Non-financial liability	399.546	83.154

4.3.3 Financial instruments

a) 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. Receivables from the domestic airline were treated in this context as an individual group of receivables; with the exception of a small component of receivables that are secured by movable property, allowances had been created for them in full as at the reporting date. The bankruptcy of the domestic airline had no impact on the need to create additional allowances for future expected losses, as this was a one-off business event. In light of the above, and the current age breakdown of trade receivables, which despite the Covid-19 epidemic did not worsen, and given that the impairments created between 2013 and 2020 (with the exception of receivables from the domestic airline) are immaterial, the company is not creating impairments for future expected credit losses.

b) Cash

Cash and cash equivalents consist of cash on hand, balances in current accounts at banks, and funds deposited in the parent undertaking's bank account at demand.

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 major investment projects, when calculating the historical cost of acquired real estate the company includes the direct costs of employee earnings deriving directly from the construction of the real estate that substantively relate to project management services for investment projects and supervisory services on construction sites.

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:	2020
Manoeuvring areas (runway, taxiway, aprons)	20–60 years
Other infrastructure	10–60 years
Motor vehicles	5–20 years
Other plant and equipment	3–20 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.

Effect of change in depreciation rates

An updated standardised accounting approach for components was implemented as of 1 January 2020 for the manoeuvring areas, including the runway, the taxiways and the aprons. The useful lives of individual components of the aforementioned facilities were re-estimated in parallel, which resulted in an increase in the annual depreciation charge for these facilities in the amount of EUR 186,775.

There were no other changes in depreciation rates in 2020.

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

The company holds no intangible assets of indeterminate useful life.

Amortisation is calculated using the straight-line method of amortisation, taking into account the useful life of intangible assets. 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 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. Possible 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 generates a positive cashflow, there are no other indications of impairment.

The senior management tested for signs of impairment as at 31 December 2020 for the company as a cash-generating unit, primarily in light of the planned earnings and cashflows. The current situation is judged to be short-term, and having regard for the planned earnings and cashflows it concludes that for now there is no need for any impairments of assets in connection with the company as whole (see note 5.5.1).

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 owner (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 LEASES

a) Identification of leases

When entering into a contract, the company assesses whether it is a lease agreement or whether it contains a lease. A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

b) Assets under lease

In accordance with the amended IFRS 16 Leases, the company recognises assets that it holds under lease for a term longer than one year as a right-of-use asset and as non-current and current operating liabilities from leases, while amortisation/depreciation charges on right-of-use assets and interest expenses on lease liabilities are recorded in the income statement. With the standard effective as of 1 January 2019, the classification of leases into finance leases and operating leases has been abolished, as has disclosure in the manner set out in IAS 17.

Upon initial recognition, the historical cost of a right-of-use asset includes the lease payments made at or prior to commencement of the lease (minus any incentives), the initial direct costs related to the lease, and the present value of future lease payments payable over the remainder of the lease term at commencement (the latter corresponds to the amount of the lease liability recognised by the lessee upon initial recognition of the lease). The discount rate used to determine the present value of future lease payments not paid as at the lease commencement date is the interest rate contractually implicit in the lease when this can be readily determined; if not, the lessee uses its incremental borrowing rate, which is determined in conjunction with the parent undertaking, having regard for the lease term.

Discount rates used	2020
Land	4,40-4,67 %
Infrastructure	2,33%

After initial recognition, right-of-use assets are measured using the historical cost model (the asset is disclosed at historical cost less accumulated amortisation/depreciation and any impairment losses), where contractually determined useful life of the asset is taken to be the lease term. After initial recognition, lease liabilities are increased by interest on lease liabilities and reduced by lease payments actually made.

The estimated useful life falls within the following ranges:	2020
Land	40 years
Infrastructure	13 years

The company did not apply IFRS 16 to assets of low value under lease or to leases with a lease term of less than 12 months, as the standard provides for exemptions in these cases. The company also did not apply IFRS 16 to equipment, as its assessment is that the effect of implementation would be immaterial on the financial statements. These leases are recorded as expenses during the accounting period.

c) Leased assets (outward)

All lease relationships in which the company is the lessor are classified as operating leases on the basis of the circumstances of the lease. The company does not disclose any assets let under finance leases in its books of account.

Leased assets are disclosed in the books of account under property, plant and equipment.

Lease payments from operating leases are recognised as operating revenues on a straight-line basis or, when there is a variable component to the revenues, revenues from variable lease payments are recognised according to the criteria for determining individual variable lease payments.

Costs related to obtaining revenues from leases, including the amortisation/depreciation of leased assets, are recognised as operating expenses.

4.3.11 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.

Provisions for termination benefits and jubilee benefits

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.

4.3.12 ACCRUED AND DEFERRED ITEMS

Non-current accrued and deferred items

Acrruals and deferred income are disclosed among non-current accrued and deferred items.

Long-term deferred income will cover the projected expenses over a period of more than one year. Government grants received are recognised when there is an acceptable assurance that the company will receive the grants and will meet all the relevant conditions, and are disclosed under the aforementioned category. Government grants received for covering costs are recognised 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.

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, current liabilities from unrealised contractual commitments, short-term accrued costs and provisions created for periods of less than one year under current accruals and deferred income.

4.3.13 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 and through advertising services.

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 received for covering costs are recognised 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.

4.3.14 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.

4.3.15 FINANCE INCOME AND EXPENSES

Finance income comprises interest income and foreign exchange gains, and is recognised in the income statement.

Revenues from default interest are recognised upon payment.

Finance expenses encompass interest expenses and foreign exchange losses. The costs of interest are recognised in the income statement using the effective interest method.

4.3.16 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 assets, which are disclosed in the amount of a realised tax loss and unrealised investment allowance as at 31 December 2020, are recognised in their full amount, as according to the projections that the company draws up and updates regularly, sufficient profit will be realised over the coming years to be able to utilise the deferred tax assets on the aforementioned basis.

4.3.17 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

Covid-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.

The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

This change is not relevant to the company, as there has been no change in the lease terms of the assets that the company discloses under right-of-use assets in accordance with IFRS 16.

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

- 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).

  The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance, 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).

  Amendments clarify the definition of materiality and how it is applied, i.e. through the inclusion in the definition of instructions that were previously indicated elsewhere in IFRS. The clarifications relating to the definition were also improved. Amendments also ensure that the definition of materiality is consistent in all IFRS standards. Information is material if omitting, mis-stating or concealing it could de facto influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements and that provide financial information about a specific reporting entity.

- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022) and deferral of effective date (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

In the company's view, the amendments will have no material impact on on the company's financial statements.

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, narrow scope amendments to IAS 16, IAS 37, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 9 and IFRS 16 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset.

The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of ‘costs to fulfil a contract’. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

5 NOTES TO THE FINANCIAL STATEMENTS

5.1 NOTES TO THE BALANCE SHEET

5.1.1 INTANGIBLE ASSETS

in euros

	Licences, software	Property rights	Intangible assets in acquisition	Total
HISTORICAL COST				
31.12.2019	2.820.186	156.936	350.543	3.327.665
Transfer from/to intangible assets	5.975	0	-350.543	-344.568
Capitalisations	417.251	0	0	417.251
Eliminations	-151.742	0	0	-151.742
31.12.2020	3.091.670	156.936	0	3.248.606
IMPAIRMENT				
31.12.2019	1.611.917	41.097	0	1.653.014
Amortisation	367.751	10.909	0	378.660
Eliminations	-152.690	0	0	-152.690
31.12.2020	1.826.978	52.006	0	1.878.984
CARRYING AMOUNT				
31.12.2019	1.208.269	115.839	350.543	1.674.651
31.12.2020	1.264.692	104.930	0	1.369.622
HISTORICAL COST				
31.12.2018	3.366.969	156.936	167.079	3.690.984
Acquisitions	0	0	403.981	403.981
Capitalisations	220.517	0	-220.517	0
Eliminations	-767.300	0	0	-767.300
31.12.2019	2.820.186	156.936	350.543	3.327.665
IMPAIRMENT				
31.12.2018	2.043.587	30.189	0	2.073.776
Amortisation	324.951	10.908	0	335.859
Eliminations	-756.621	0	0	-756.621
31.12.2018	1.611.917	41.097	0	1.653.014
CARRYING AMOUNT				
31.12.2018	1.323.382	126.747	167.079	1.617.208
31.12.2019	1.208.269	115.839	350.543	1.674.651

Intangible assets amounted to EUR 1,369,622 as at 31 December 2020 (EUR 1,674,651 as at 31 December 2019) and are free of encumbrance.

The company had commitments in the amount of EUR 52,799 as at 31 December 2020 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	2020	2019
Land	16.128.358	16.063.501
Infrastructure	3.391.371	2.376.869
Investments in foreign non-current assets	47.847.207	47.763.190
Plant and equipment	13.405.678	13.817.016
Property, plant and equipment in acquisition	16.819.460	7.421.266
Total	97.592.074	87.441.842

in euros

	Land	Infrastructure and investments in foreign non-current assets	Plant and equipment	Property, plant and equipment in acquisition	Total
HISTORICAL COST					
31.12.2019	16.063.501	119.331.124	53.957.853	7.450.531	196.803.009
Transfer from intangible assets in acquisition	0	0	0	350.543	350.543
Transfer between categories	0	156.830	-162.805	0	-5.975
Acquisitions	0	0	0	15.229.353	15.229.353
Capitalisations	198.675	3.821.129	1.690.776	-5.710.580	0
Capitalisations of intangible assets	0	0	0	-417.251	-417.251
Eliminations	-133.818	-75.323	-1.493.027	0	-1.702.168
31.12.2020	16.128.358	123.233.760	53.992.797	16.902.596	210.257.511
IMPAIRMENT					
31.12.2019	0	69.191.065	40.140.837	29.265	109.361.167
Depreciation	0	2.875.636	1.896.873	0	4.772.509
Impairments	0	0	0	53.871	53.871
Eliminations	0	-71.519	-1.450.591	0	-1.522.110
31.12.2020	0	71.995.182	40.587.119	83.136	112.665.437
CARRYING AMOUNT					
31.12.2019	16.063.501	50.140.059	13.817.016	7.421.266	87.441.842
31.12.2020	16.128.358	51.238.578	13.405.678	16.819.460	97.592.074
HISTORICAL COST					
31.12.2018	16.297.138	114.758.683	51.537.132	7.259.241	189.852.194
Transfer between categories	-5.690	5.690	0	0	0
Acquisitions	0	0	0	10.445.389	10.445.389
Capitalisations	257.664	4.996.748	4.872.347	-10.126.759	0
Eliminations	-485.611	-429.997	-2.451.626	-127.340	-3.494.574
31.12.2019	16.063.501	119.331.124	53.957.853	7.450.531	196.803.009
IMPAIRMENT					
31.12.2018	0	67.136.908	40.342.829	29.265	107.509.002
Depreciation	0	2.484.154	2.237.149	0	4.721.303
Eliminations	0	-429.997	-2.439.141	0	-2.869.138
31.12.2019	0	69.191.065	40.140.837	29.265	109.361.167
CARRYING AMOUNT					
31.12.2018	16.297.138	47.621.775	11.194.303	7.229.976	82.343.192
31.12.2019	16.063.501	50.140.059	13.817.016	7.421.266	87.441.842

The property, plant and equipment disclosed as at 31 December 2020 was free of encumbrance, from the company's business plans follows that there are no indications of impairment.

Land

As at 31 December 2020 the company owned 35,31 hectares of brownfield and greenfield land in the cadastral municipalities of Grad, Šenčur, Cerklje na Gorenjskem, Velesovo and Zgornji Brnik.

Land measuring 1.08 hectares and valued at EUR 639,813 was acquired in 2020, as a result of which land measuring 0.8 hectares and valued at EUR 441,138 was disclosed under property, plant and equipment in acquisition as at 31 December 2020. Land measuring 0.21 hectares and valued at EUR 133,818 was sold in 2020.

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) and is not disclosed in the company's books of account. 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 5.1.3 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, 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 and investments in foreign non-current assets

Activations increased the value of infrastructure and investments in foreign non-current assets by EUR 3,821,129 in 2020. The majority of this amount comprises:

in euros

	2020
Internal connecting road network	1.672.493
Renovation of the fire and rescue service facility	890.628
Hangar for aircraft ground handling equipment	700.319

Plant and equipment

Plant and equipment in the total amount of EUR 1,690,776 was activated in 2020. The table shows the major items, included in this amount:

in euros

	2020
Mercedes truck with snow brush for clearing manoeuvring areas of snowfall	370.000
Volvo gritter truck for gritting manoeuvring areas	227.900
Volvo sweeper truck for cleaning apron	239.731
Digital advertising space	175.151
Two Hitzinger GPUs for ground handling services	109.800
Dollies for handling cargo traffic	49.070

Disposals of equipment primarily relate to the replacement of obsolete or used equipment, where certain assets with residual market value were sold. The disposed assets of larger value are cited in the following table:

in euros

	Historical cost	Impairment	Carrying amount
Cobus airport bus	197.054	-197.054	0
Friction measurement vehicle	158.554	-158.554	0
Mercedes-Benz Atego truck	94.575	-94.575	0
Two conveyor belts	122.859	-122.859	0
Hitzinger GPU	59.585	-59.585	0
Three Mulag tractors	128.634	-128.634	0

Property, plant and equipment in acquisition

Property, plant and equipment in acquisition amounted to EUR 16,819,460 as at 31 December 2020, where the majority (EUR 14,826,423) relates to the expansion of the existing passenger terminal.

The company had commitments in the amount of EUR 9,629,523 as at 31 December 2020 on the basis of contracts for the procurement of property, plant and equipment that have been signed but not yet realised; the majority of this amount (EUR 7,590,660) relates to the investment in the expansion of the existing passenger terminal.

Impact of changes in amortisation/depreciation rates

An updated standardised accounting approach for components was implemented as of 1 January 2020 for the manoeuvring areas, including the runway, the taxiways and the aprons. The useful lives of individual components of the aforementioned facilities were re-estimated in parallel, which resulted in an increase in the annual depreciation charge for these facilities in the amount of EUR 186,775.

Direct costs of employee earnings included in historical cost of infrastructure

The company included EUR 249,602 of direct costs of employee earnings in the historical cost of acquired infrastructure in 2020, in substantive terms these are supervisory services on construction sites and project management services for investment projects provided by company staff.

Leased assets (inward)

in euros

Type of lease	Subject of lease	Period to expiry of lease	Revenues in 2020
Operating lease	Warehousing and logistics facility where the company holds right of use	indefinite*	308.540
Operating lease	Warehousing and logistics facility owned by the company	10 years 4 months	332.282
Operating lease	Aircraft maintenance hangar	2 years 11 months	428.425
Operating lease	Aircraft hangar	6 months	68.747
Operating lease	Land	24 years **	87.008
Total			1.225.002

* Possibility of termination by either contracting party in 2022 with one-year notice period.
** The contract has been concluded for a term of 25 years as of the first day of operation of the warehousing and logistics facility to be built on the land in question. The tenant has the option of unilaterally terminating the contract in 2034 under the terms agreed in the contract.

Net present value of future rents (maturity breakdown):

in euros

Subject of lease	Up to one year	One to five years	Over five years	Total
Warehousing and logistics facility where the company holds right of use	308.540	214.710	0	523.251
Warehousing and logistics facility owned by the company	354.551	1.418.203	1.889.319	3.662.073
Aircraft maintenance hangar	428.425	805.205	0	1.233.630
Aircraft hangar	34.373	0	0	34.373
Land	40.880	163.520	343.951	548.351
Total	1.166.770	2.601.638	2.233.270	6.001.678

Value of non-current assets let under lease

in euros

Subject of lease	Historical cost	Impairment	Carrying amount
Warehousing and logistics facility where the company holds right of use	3.439.130	576.719	2.862.411
Warehousing and logistics facility owned by the company	2.064.659	498.628	1.566.031
Aircraft maintenance hangar	4.190.718	1.310.239	2.880.479
Aircraft hangar	564.153	271.288	292.865
Land	400.684	0	400.684
Total	10.659.343	2.656.873	8.002.470

5.1.3 RIGHT-OF-USE ASSETS

in euros

Right-of-use assets	Total
HISTORICAL COST	
31.12.2019	10.146.246
Eliminations	-2.013
31.12.2020	10.144.233
IMPAIRMENT	
31.12.2019	384.675
Depreciation	384.547
Eliminations	-115
31.12.2020	769.107
CARRYING AMOUNT	
31.12.2019	9.761.571
31.12.2020	9.375.126
HISTORICAL COST	
31.12.2018	10.146.246
Capitalisations	257.664
31.12.2019	10.146.246
IMPAIRMENT	
31.12.2018	0
Depreciation	384.675
31.12.2019	384.675
CARRYING AMOUNT	
31.12.2018	10.146.246
31.12.2019	9.761.571

in euros

	31.12.2020	31.12.2019
Warehousing and logistics facility	1.872.598	2.029.739
Land (superficies granted by Republic of Slovenia)	7.502.528	7.731.833
Total	9.375.126	9.761.571

Interest expenses disclosed in the income statement for 2020, and total cash outflow in 2020

in euros

	Warehousing and logistics facility	Land (superficies granted by Republic of Slovenia	Total
Interest expenses disclosed in 2020 income statement	45.999	343.151	389.150
Cash outflows in 2020	168.018	453.260	621.278

Land on which the company holds superficies granted by the Republic of Slovenia

Under the general agreement on mutual relations and the establishment of superficies with regard to the use of specific land (concluded with Ministry of Infrastructure and Planning in March 2014), 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. Annexes 1 and 2 to the aforementioned agreement were signed in 2017 and 2018, under which the company also obtained superficies on an additional 3.2 hectares of land owned by the state for the period until 1 January 2054. At the same time the scope of its superficies was reduced on 0.5 hectares of land where it will not need to exercise the right in the future. The newly acquired superficies mostly relates to land on which the construction of commercial infrastructure is envisaged under the long-term plans. An annex to the aforementioned contract was signed in 2020, under which the size of the superficies was reduced by 82 m^2, as a result of the assignment of superficies on this land to another airport user and infrastructure operator.

The contract has been signed and is being performed in accordance with its provisions and the restrictions set out by the Aviation Act and other relevant legislation governing this area.

Superficies is amortised on a straight-line basis, where the useful life is determined by taking account of the period for which the agreement has been concluded, i.e. to 1 January 2054.

The fee for superficies is paid in annual instalments of a fixed amount. The company accordingly disclosed EUR 7,302,644 of non-current operating liabilities and EUR 448,390 of current operating liabilities as at 31 December 2020 (see notes 5.1.10 and 5.1.13).

The general agreement on superficies expires at the end of period for which it was concluded, but may be terminated earlier by the agreement of the contracting parties. After the expiry of the agreement on general superficies, the company is entitled to compensation in the amount of half of the gain in market value of the real estate that is the subject of the superficies, while the infrastructure that stands on the land must be handed over to the state at the same time, as it becomes an integral part of the real estate together with the land.

Warehousing and logistics facility

The right-of-use assets whose right of use was obtained by the company under IFRS 16 include the warehousing and logistics facility leased by the company under a lease agreement signed in 2007. The subject of the lease is a warehousing and logistics facility with a total floorspace of 2,703 m^2 and corresponding parking space. The agreement was signed for a term of 25 years, with each of the contracting parties able to terminate the agreement with a one-year notice period.

The facility is depreciated on a straight-line basis over the duration of the agreement, i.e. until 2032. Its value was determined by taking account of the planned future cash outflows for rent, discounted at a rate of 2.33%.

The rent is charged monthly, and the instalment is fixed. The company accordingly disclosed EUR 1,774,725 of non-current operating liabilities and EUR 140,623 of current operating liabilities as at 31 December 2020 (see notes 5.1.10 and 5.1.13).

The 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 308,540. The present value of future rents for the period of January 2020 to September 2021 amounts to EUR 523,250 (EUR 308,540 for 2020, EUR 308,540 for 2021 and EUR 214,710 for 2022).

5.1.4 DEFERRED TAX ASSETS

in euros

Deferred tax assets, from:	2020	2019
Realised tax losses	1.351.138	0
Impairment of current operating receivables	831.560	792.585
Unexploited investment allowance	301.167	0
Amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO	257.633	199.638
Provisions for jubilee benefits and termination benefits	160.355	171.802
Impairment of financial assets	45.288	45.288
Total	2.947.141	1.209.313

5.1.5 CURRENT OPERATING RECEIVABLES

in euros

Current operating receivables	2020	2019
Current trade receivables	1.825.396	3.863.648
Current receivables to government	1.493.854	345.266
Current receivables for advances given	10.576	62.962
Other current receivables	6.967	0
Total	3.336.793	4.271.876

The decline in current trade receivables is a reflection of the current decline in turnover caused by the Covid-19 epidemic, while the increase in receivables from the government is related to receivables for government aid for the partial refund of uncovered fixed costs.

in euros

Current operating receivables 2020	Gross value	Impairment	Net value
Current trade receivables	6.256.852	-4.431.456	1.825.396
Current receivables to government	1.493.854	0	1.493.854
Current receivables for advances given	10.576	0	10.576
Other current receivables	7.768	-801	6.967
Total	7.769.050	-4.432.257	3.336.793

Just under 93% of all impairments created for receivables (EUR 4,111,780) related to the domestic airline in bankruptcy as at 31 December 2020. Impairments were created in the amount of EUR 3,924,280 in the year of bankruptcy (2019), and in the amount of EUR 187,500 in 2020 (as a result of a decline in the estimated market value of movable property received from the domestic airline as collateral).

in euros

Trade receivables	2020	2019
Trade receivables from domestic customers	998.996	1.846.085
Trade receivables from customers in the rest of the world	826.400	2.017.564
Total	1.825.396	3.863.649

in euros

Age strusture of current trade receivables 2020	Not due	Up to 30 days overdue	30 to 180 days overdue	Over 180 days overdue	Total
- Net value	1.493.154	63.841	54.752	213.649	1.825.396
- Gross value	1.616.517	388.950	-393.465	4.644.889	6.256.891

in euros

Age strusture of current trade receivables 2020	Not due	Up to 30 days overdue	30 to 180 days overdue	Over 180 days overdue	Total
- Net value	1.493.154	63.841	54.752	213.649	1.825.396
- Gross value	1.616.517	388.950	-393.465	4.644.889	6.256.891

in euros

Changes in impairment of receivables	2020	2019
Balance as at 1 January	4.226.328	881.747
Increase: newly created allowances	243.822	3.355.442
Decrease: write-off of receivables	-38.694	-10.861
Balance as at 31 December	4.431.456	4.226.328

in euros

Other current receivables	2020	2019
Receivables for government aid for the partial refund of uncovered fixed costs (Covid-19)	815.771	0
Receivables for corporate income tax prepayments	395.139	0
Receivables for partial refund of labour costs (Covid-19)	180.003	0
Receivables for VAT	74.031	109.404
Other current receivables	28.910	235.862
Total	1.493.854	345.266

5.1.6 CASH AND CASH EQUIVALENTS

in euros

Cash and cash equivalents	2020	2019
Short-term deposit at parent undertaking	11.300.000	25.500.000
Cash in bank balances	659.143	1.887.990
Cash on hand	28.634	41.817
Total	11.987.777	27.429.807

5.1.7 EQUITY

Equity amounted to EUR 107,380,846 as at 31 December 2020, down 5.6% or EUR 6,322,372 on 31 December 2019. It accounted for 84.5% of total equity and liabilities (compared with 86.0% as at 31 December 2019). The company did not hold any share in treasury or any authorised capital as at 31 December 2020, and the owner did not pass any resolution to increase the nominal capital. The changes in equity in 2020 and 2019 are disclosed in the statement of changes in equity (point 3.4 of the Financial Report).

The nominal capital was unchanged from 31 December 2019 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	2020	2019
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	2020	2019
Unrealised actuarial loss from post-employment benefits	-305.120	-309.025
Total	-305.120	-309.025

Retained earnings

The net loss of EUR 6,307,584 in 2020 was covered by retained earnings from previous years; retained earnings thus amounted to EUR 23,621,807 as at 31 December 2020.

Distributable profit

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

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

in euros

Formation of distributable profit	2020	2019
Net profit for the period	0	8.733.395
+ retained earnings	23.621.807	21.214.689
= distributable profit	**23.621.807**	**29.948.084**
= remaining distributable profit		29.948.084

5.1.8 PROVISIONS AND NON-CURRENT ACCRUALS AND DEFERRED INCOME

in euros

Provisions and non-current accruals and deferred income	2020	2019
Non-current provisions	1.515.711	1.850.156
Non-current accruals and deferred income	708.518	393.856
Total	2.224.229	2.244.012

Non-current provisions

in euros

Changes in 2020	Balance as at 1.1.2020	Utilisation	Withdrawal	Actuarial loss	Transfer to current provisions	Balance as at 31.12.2020
Provisions for jubilee benefits	438.892	25.965	11.562	0	0	401.366
Provisions for termination benefits	1.157.628	44.372	13.699	14.788	0	1.114.345
Other non-current provisions	253.636	0	0	0	253.636	0
Total	1.850.156	70.337	25.261	14.788	253.636	1.515.711

in euros

Changes in 2019	Balance as at 1.1.2019	Utilisation	Formation	Actuarial loss	Balance as at 31.12.2019
Provisions for jubilee benefits	400.024	32.623	36.025	35.466	438.892
Provisions for termination benefits	963.912	38.533	64.237	168.012	1.157.628
Other non-current provisions	0	0	253.636	0	253.636
Total	1.363.936	71.156	353.898	203.478	1.850.156

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 2.5% in 2021 and in subsequent years.[2] The forecast staff turnover at the company and projected wage growth have been taken into account. The selected annual discount rate is 0.4%, 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 2019	1.157.627	438.892	1.596.519
Current service cost	61.857	27.725	89.582
Interest cost	7.650	2.859	10.509
Benefits payments	-44.372	-25.965	-70.337
Employees that left the company	-83.206	-48.619	-131.825
Change in financial assumptions (actuarial loss)	45.405	11.861	57.266
Experience (actuarial gain)	-30.616	-5.387	-36.003
Balance of provisions as at 31 December 2020	1.114.345	401.366	1.515.711

[2] 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	1.114.345	401.366	1.515.711
Discount rate: -0.5 percentage points	1.194.574	421.867	1.616.441
Discount rate: +0.5 percentage points	1.041.552	382.422	1.423.974
Salary growth: -0.5 percentage points	1.042.513	382.707	1.425.220
Salary growth: +0.5 percentage points	1.192.599	421.329	1.613.928

Non-current accruals and deferred income

in euros

Changes in 2020	Balance as at 1.1.2020	Utilisation	Formation	Balance as at 31.12.2020
Accruals for fee for use of building land	0	0	365.753	365.753
Deferred income from co-financing of intangible assets and property, plant and equipment*	393.856	51.091	0	342.765
Total	393.856	51.091	365.753	708.518

*the utilisation in 2020 is equal to the depreciation charge for these assets (other operating revenues are disclosed in the same amount)

in euros

Changes in 2019	Balance as at 1.1.2019	Utilisation	Formation	Balance as at 31.12.2019
Deferred income from co-financing of intangible assets and property, plant and equipment	421.399	221.952	194.409	393.856
Total	421.399	221.952	194.409	393.856

5.1.9 NON-CURRENT OPERATING LIABILITIES

in euros

Non-current operating liabilities	2020	2019
Liabilities for municipal charge for North Car Park	345.604	345.604
Liabilities for superficies for aircraft maintenance hangar	59.694	74.351
Liabilities for wages and salaries (social security contributions and personal income tax: payment by instalment approved)	199.653	0
Trade payables for non-current security deposits	30.599	114.743
Total	635.550	534.698

5.1.10 NON-CURRENT LEASE LIABILITIES

in euros

Non-current lease liabilities (Note 5.1.3)	2020	2019
Liabilities to Republic of Slovenia for superficies	7.302.644	7.410.087
Liabilities under long-term lease agreement for warehousing and logistics facility	1.774.725	1.915.348
Total	9.077.369	9.325.435

5.1.11 CURRENT FINANCIAL LIABILITIES

The company signed two long-term loan agreements with an undertaking in the group in the total amount of EUR 15,000,000 in December 2020, with an annual interest rate of the Euribor + 0.75% and an annual fee of 0.15% for the undrawn portion of the loan.

The loan of EUR 12,000,000 is envisaged for drawdown by 31 December 2021, at which point the loan principal will be restated as the amount of principal drawn down, and a fixed interest rate will be set. Repayment is scheduled for 1 January 2023 to 31 December 2032 in equal quarterly annuities; the loan agreement also envisages the option of early repayment.

The bridging loan of EUR 3,000,000 is intended for financing working capital. The timetable for the drawdown and repayment of the loan is not stipulated in advance. It has been agreed that the loan is to be repaid by 14 December 2022, with an automatic extension by one year unless either of the contracting parties gives notice.

Neither of the loans is backed by collateral.

The company disclosed current financial liabilities in the amount of EUR 1,063 as at 31 December 2020 in connection with the fee for the undrawn portion for the period between the signing of the agreements and 31 December 2020.

5.1.12 CURRENT OPERATING LIABILITIES

in euros

Current operating liabilities	2020	2019
Current trade payables	4.853.265	2.921.348
Current liabilities to employees	1.295.627	1.385.529
Current liabilities for security deposits	107.843	561.832
Current liabilities for advances	17.807	103.521
Current liabilities for income tax expense	77.771	107.867
Other current liabilities	18.105	50.236
Total	6.370.418	5.130.333

5.1.13 CURRENT LEASE LIABILITIES

in euros

Current lease liabilities (Note 5.1.3)	2020	2019
Current part of liabilities to Republic of Slovenia for superficies	448.390	448.518
Current part of liabilities under long-term lease agreement for warehousing and logistics facility	140.623	137.293
Total	589.013	585.811

5.1.14 CURRENT ACCRUALS AND DEFERRED INCOME

in euros

Current accruals and deferred income	2020	2019
Liabilities from unrealised contractual obligations	372.143	194.311
Current deferred income	27.403	83.154
Current accruals	169.752	411.138
Current provisions (transfer from non-current provisions)	253.636	0
Other current accruals and deferred income	550	0
Total	823.484	688.603

Provisions in the amount of EUR 253,635 (the company disclosed non-current provisions for this purpose as at 31 December 2019) were created in 2019 on the basis of the likely outcome of a lawsuit filed against the company in which the plaintiff is demanding higher leave allowance payments for 2019. The aforementioned sum is the shortfall in the amount of leave allowance paid that would need to be paid in the event of the court finding in favour of the plaintiff, given the headcount at the company, including default interest charged between the actual day of payment of leave allowance and 31 December 2019.

5.1.15 OFF-BALANCE-SHEET ASSETS AND LIABILITIES

in euros

Off-balance-sheet assets and liabilities	2020	2019
Receivables from default interest	139.913	142.471
Received quarantees	5.313.694	5.771.272
Total off-balance-sheet assets	5.453.607	5.913.743
Collateral granted	166.377	450.592
Total off-balance-sheet liabilities	166.377	450.592

Collateral granted amounted to EUR 166,377 as at 31 December 2020, and relates to performance bonds in the form of bank guarantees. The company estimates the liquidation value of this collateral to be very low, and therefore discloses them as contingent liabilities in the off-balance-sheet records. The amount of contingent liabilities is estimated as the maximum possible compensation that the company would pay in case of an adverse event that would justify the liquidation of the collateral. The collateral is provided for a definite period (to 2024 at the latest), and there is no uncertainty with regard to this period.

In March 2021 the company was served a lawsuit that substantively relates to 2020, from which contingent liabilities in the amount of EUR 50,000 derive. For more details, see point 5.5.1.

5.2 NOTES TO THE INCOME STATEMENT

5.2.1 OPERATING REVENUES

in euros

Operating revenues	2020	2019
Net sales revenue, from:	16.758.332	45.320.631
- Revenues from domestic sales of services	7.659.379	25.125.731
- Revenues from sales of services to the rest of the world*	9.097.425	20.167.588
- Revenues from sales of materials	1.528	27.312
Revenues from capitalised own services	249.602	293.887
Other operating revenues	1.053.682	1.661.305
- Revenues from partial refund of uncovered fixed costs	815.771	0
- Revenues from compensation	9.687	1.461.348
- Other operating revenues	228.224	199.957
Total	18.061.616	47.275.823

*Revenues from services provided to business partners outside Slovenia

The decline in revenues in 2020 compared with 2019 was attributable to the decline in passenger traffic caused by Covid-19, which has hit the company since mid-March 2020.

Net sales revenue

Airport services and ground handling services accounted for 66.8% of net sales revenue, while commercial services accounted for 29.6%. The main categories of the latter are rental income (13.5% of net sales revenue), revenue from parking fees (4.8% of net sales revenue) and revenue from other commercial services (3.3% of net sales revenue).

in euros

Net sales revenue under contracts with customers	Airport services and ground handling services	Commercial services	Total
Receivables as at 1 Jan 2020	2.696.143	1.167.505	3.863.649
Liabilities from unrealised contractual obligations as at 1 Jan 2020	194.311	0	194.311
Revenues from contractual obligations charged in 2019 and realised in 2020	0	83.154	83.154
Revenues from contractual obligations charged and realised in 2020	11.193.527	5.564.805	16.758.332
Revenues from contractual obligations charged in 2020 and to be realised in 2021	0	25.179	25.179
Liabilities from unrealised contractual obligations as at 31 Dec 2020	372.143	0	372.143
Receivables as at 31 Dec 2020	1.288.464	536.971	1.825.435

Revenues from capitalised own services

The revenue disclosed from capitalised own services relates to capitalised direct costs of employee labour; in substantive terms it relates to in 2020 provided project management services for major investment projects and supervisory services on construction sites (see note 4.3.4).

Revenues from government aid for the partial refund for uncovered fixed costs

The revenues in the amount of EUR 815,771 constitute government aid in the form of a partial refund of uncovered fixed costs for the final quarter of 2020 under the Act on Emergency Measures to Mitigate the Consequences of the Second Wave of the Covid-19 Epidemic, which the company was entitled to in light of the significant downturn in its turnover.

5.2.2 OPERATING EXPENSES

in euros

Operating expenses	2020	2019
Costs of materials	1.134.718	1.844.881
Cost of services	5.500.920	9.114.502
Labour costs	12.801.867	16.220.463
Depreciation and amortisation	5.535.715	5.441.837
Other operating expenses	738.533	3.822.968
Total	25.711.753	36.444.651

The company responded immediately to the decline in revenues caused by the Covid-19 epidemic by cutting costs in practically all categories. These measures reduced operating expenses in 2020 by EUR 10.7 million relative to 2019.

Labour costs were driven down by redundancies and retirements, and other savings in the labour costs area (a reduction in transport and meal expenses as a result of furloughing, working from home and short-time work, a freeze on promotions, reduced incentive bonuses), and were further reduced by the government aid based on measures to alleviate the impact of the Covid-19 epidemic.

The cost control measures in connection with the decline in revenues caused by Covid-19 were reflected in almost all categories of costs of material and services, from a reduction in the consumption of supplies and maintenance materials in connection with the austerity measures aimed at reducing energy consumption, to a freeze on the recruitment of students and agency staff, and a reduction in virtually all other service costs.

Other operating expenses were also down on 2019, large impairments having been created in 2019 because of the bankruptcy of the domestic airline.

in euros

Costs of materials	2020	2019
Electricity	460.064	563.090
Cleaning materials and non-durables	311.992	406.585
Heating oil	190.300	192.346
Motor fuel	88.488	181.530
Materials for current maintenance	52.348	271.391
Other costs of materials	31.526	229.939
Total	1.134.718	1.844.881

in euros

Cost of services	2020	2019
Security costs	1.545.422	1.842.164
Maintenance costs (excluding software)	828.412	1.257.024
Intellectual services	725.554	821.055
Maintenance costs of software	518.483	387.073
Services related to the performance of the company's basic activity	409.890	978.648
Insurance premiums	310.550	351.673
Advertising costs	304.637	866.187
Healthcare services	219.169	208.751
Utilities, water rates	154.369	193.445
Services of the Civil Aviation Agency	132.770	462.862
Rents	111.498	131.967
Reimbursement of work-related expenses	71.118	236.315
Agency work and work through students service	33.110	1.147.446
Other services	135.938	229.892
Total	5.500.920	9.114.502

in euros

Labour costs	2020	2019
Wages	8.851.324	11.424.158
Annual leave payment, reimbursement of transport expenses, reimbursement of meal expenses and collective accident insurance	1.796.696	2.145.249
Social security costs	1.253.508	1.553.813
Supplementary pension insurance	609.508	831.089
Other labour costs	290.831	266.154
Total	12.801.867	16.220.463

Government aid received on the basis of measures to alleviate the impact of the Covid-19 epidemic (EUR 1,689,897) was disclosed under labour costs in 2020.

in euros

Depreciation and amortisation	2020	2019
Amortisation of intangible assets	372.684	335.859
Depreciation of property, plant and equipment	4.778.484	4.721.303
Amortisation/depreciation of right-of-use assets	384.547	384.675
Total	5.535.715	5.441.837

in euros

Other operating expenses	2020	2019
Compensation for the use of building right	366.020	279.407
Impairments of receivables	243.821	3.355.442
Other expenses	128.691	188.119
Total	738.532	3.822.968

5.2.3 FINANCE EXPENSES

in euros

Finance expenses	2020	2019
Interest expenses in connection with right-of-use assets (note 5.1.3)	389.150	396.810
Other finance expenses	8.639	30.577
Total	397.789	427.387

5.2.4 INCOME TAX EXPENSE AND DEFERRED TAX

in euros

Income tax expense and deferred tax	2020	2019
Income tax expense levied	0	2.448.605
Deferred tax	-1.737.828	-701.280
Total	-1.737.828	1.747.325

in euros

Effective income tax expense rate	2020	2019
Change in deferred tax assets from realised tax loss	1.351.138	0
Change in deferred tax assets from unrealised investment allowance	301.167	0
Change in deferred tax assets from amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO	57.995	-56.645
Change in deferred tax assets from impairment of trade receivables	38.974	-635.471
Change in deferred tax assets from provisions for jubilee benefits and employee termination benefits	-11.447	-19.920
Change in deferred tax assets from impairment of financial assets	0	10.756
Total	1.737.827	-701.280

5.2.5 OTHER COMPREHENSIVE INCOME FOR THE PERIOD

in euros

Statement of other comprehensive income	Notes	1.–12.2020	1.–12.2019
Net profit for the period		**-6.307.584**	**8.733.395**
Items that subsequently will not be reclassified to profit or loss		**3.906**	**-157.388**
Unrealised actuarial profit/loss from post-employment benefits		-14.788	-168.012
Realised actuarial loss (after payment of post-employment benefits)		18.694	10.624
Total other comprehensive income for the period	5.2.5	**3.906**	**-157.388**
Total comprehensive income for the period		**-6.303.678**	**8.576.007**

5.3 NOTES TO THE CASH FLOW STATEMENT

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

in euros

Material adjustments taken into account in the preparation of the cash flow statement	2020	2019
Correction of revision to operating receivables and operating liabilities for reason of offset of receivables and liabilities	390.414	1.233.902
Inflows from sale of property, plant and equipment	269.127	725.774
Correction of operating receivables and operating revenues for government aid for the partial refund for uncovered fixed costs - Covid 19	815.771	0
Correction of non-current accruals and deferred income and operating expenses for accruals for fee for superficies	-365.753	0

5.4 FINANCIAL RISKS

Credit risk

in euros

Company's maximum exposure to credit risk	2020	2019
Non-current operating receivables	59.873	59.873
Current operating receivables	3.336.793	4.271.876
Cash and cash equivalents	11.987.777	27.429.807
Total	15.384.443	31.761.556

in euros

Structure of financial assets by maturity as at 31.12.2020	Up to three months	Three months to one year	One to five years	Total
Current operating receivables (Note 5.1.5)	2.936.458	400.335	0	3.336.793

in euros

Structure of financial assets by maturity as at 31.12.2019	Up to three months	Three months to one year	One to five years	Total
Current operating receivables (Note 5.1.5)	4.072.896	198.980	0	4.271.876

Liquidity risk

The company held EUR 11,987,777 of free cash (see note 5.1.6) as at 31 December 2020, and signed two long-term loan agreements in 2020 in the total amount of EUR 15 million to provide additional cash; the loans had not been drawn down as at 31 December 2020 (see note 5.1.11).

in euros

Structure of liabilities by maturity as at 31.12.2020	Up to three months	Three months to one year	One to five years	Over five years	Total
Current financial liabilities (Note 5.1.11)	1.063	0	0	0	1.063
Current operating liabilities (Note 5.1.12)	5.642.087	728.331	0	0	6.370.418
Current lease liabilities (Note 5.1.13)	483.391	105.622	0	0	589.013
Non-current operating liabilities (Note 5.1.9)	0	0	574.931	60.619	635.550
Non-current lease liabilities (Note 5.1.10)			1.068.358	8.009.011	9.077.369
Provisions and non-current accruals and deferred income (Note 5.1.8)	0	51.093	855.102	1.318.034	2.224.229

in euros

Structure of liabilities by maturity as at 31.12.2019	Up to three months	Three months to one year	One to five years	Over five years	Total
Current operating liabilities (Note 5.1.12)	4.923.282	207.051	0	0	5.130.333
Current lease liabilities (Note 5.1.13)	482.608	103.203	0	0	585.811
Non-current operating liabilities (Note 5.1.9)	0	37.136	434.190	63.372	534.698
Non-current lease liabilities (Note 5.1.10)	0	0	1.034.013	8.291.422	9.325.435
Provisions and non-current accruals and deferred income (Note 5.1.8)	0	123.737	676.645	1.443.630	2.244.012

Interest rate risk

The company's exposure to changes in market interest rates is low, and will remain low even after the drawdown of the long-term loans for which agreements were signed in 2020 (see note 5.1.11). The interest rate on the long-term loan of EUR 12 million will remain variable until 31 December 2021, but will be fixed as of 1 January 2022, while the interest rate on the loan of EUR 3 million with a maturity of two years is variable. Given the short period over which the company will be exposed to variable interest rates, and the low likelihood of interest rates rising in the near future, the interest rate risk is assessed as low.

The company does not 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

With the exeption of cash and cash equivalents (classed as Level 1 in the fair value hierarchy), the financial assets and liabilities are 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 2 in the fair value hierarchy).

in euros

Classification of financial instruments at fair value as at 31 December 2020	Level 1	Level 2	Total
Non–current operating receivables	0	59.873	59.873
Current operating receivables	0	3.336.793	3.336.793
Cash and cash equivalents	11.987.777	0	11.987.777
Non-current operating liabilities	0	635.550	635.550
Non-current lease liabilities	0	9.077.369	9.077.369
Current financial liabilities	0	1.063	1.063
Current operating liabilities	0	6.370.418	6.370.418
Current lease liabilities	0	589.013	589.013

in euros

Classification of financial instruments at fair value as at 31 December 2019	Level 1	Level 2	Total
Non–current operating receivables	0	59.873	59.873
Current operating receivables	0	4.271.876	4.271.876
Cash and cash equivalents	27.429.807	0	27.429.807
Non-current operating liabilities	0	534.698	534.698
Non-current lease liabilities	0	9.325.435	9.325.435
Current operating liabilities	0	5.130.333	5.130.333
Current lease liabilities	0	585.811	585.811

5.5 OTHER EXPLANATORY NOTES

5.5.1 SIGNIFICANT EVENTS AFTER THE END OF 2020

a) IMPACT OF COVID-19 ON THE COMPANY'S PERFORMANCE

The current situation in connection with the Covid-19 epidemic and the resulting loss of a considerable chunk of revenues in the passenger transport segment is judged to be short-term by the senior management. Over the medium term we are expecting a rebound in the sense of a recovery in passenger traffic, and a return to the level of turnover seen before the outbreak of the epidemic.

With the intention of emerging from the difficult situation in which Fraport Slovenija has found itself, there is an even greater focus on agile planning of performance and liquidity, whereby our planning assumptions are adjusted on a monthly basis to changes in the turnover forecast and also to the situation in Slovenia and across Europe. The senior management responds to the planning forecasts for traffic and operating revenues by promptly imposing and revising measures to control operating expenses, with great emphasis on ensuring the company's liquidity during the time of reduced traffic.

The forecast is for a difficult year in 2021, as passenger traffic is expected to be a third of its normal level, and operating revenues will also be correspondingly lower. With constant control of operating expenses, we are planning to see an improvement in 2021's operating result compared with 2020, thanks in part to emergency government aid in the amount of EUR 5 million. The company's liquidity is not in question, despite the decline in revenue and the need to complete the investment in the new passenger terminal; it will be ensured by making use of available internal resources and by raising two long-term loans in the total amount of EUR 15 million, which have not been drawn down to date (see note 5.1.11), while our planning is relatively conservative.

We expect passenger traffic to regain its pre-epidemic level at some point by 2025, and accordingly we are planning to operate in the black even this year, and to maintain a positive cashflow before interest, taxes and amortisation/depreciation.

The senior management's assessment is that, in the wake of the aforementioned activities, as at 31 December 2020 there were no circumstances that would require impairments of assets, and there are sufficient liquid assets available for operations to proceed without disruption.

b) OTHER SIGNIFICANT EVENTS AFTER THE END OF 2020

January 2021

An operating permit was issued on 28 January for a new cold store at the cargo warehouse designed for storing pharmaceutical shipments that need to be kept at temperatures of 2° to 8°C. At 150 cubic metres, the cold store doubled the capacity to store cold-chain cargo. The new facility also improved reliability in the storage of pharmaceutical products.

February 2021

On 2 February the European Commission approved the state aid of EUR 5 million in the form of direct grants to Fraport Slovenija as compensation for the damage suffered by the company as airport operator between 17 March and 30 June 2020 because of the coronavirus.

Russian airline Aeroflot returned to Ljubljana Airport on 12 February, following a break of almost a year because of the Covid-19 epidemic. It will initially operate one flight a week to Moscow.

March 2021

Air France resumed its scheduled services to the French capital on 6 March after a break of four months.

On March 11 we earned our Airport Health Accreditation (AHA) from the Airport Council International and thus our airport joined the family of airports who ensure the safest health conditions for passengers and staff in the time of Covid-19 epidemic.

On 15 March, in agreement with the official receiver for Adria Airways d.o.o. (in bankruptcy), we opened an auction to sell an APU (auxilliary power unit) spare part that had been received from Adria Airways as collateral for our receivables. The auction closed on 1 April 2021, with a single bidder offering a price of EUR 190,000. The company has not yet taken a final decision on the sale, but the offered price will provide the basis for additionally impairing the operating receivables from Adria Airways (in bankruptcy) in the amount of EUR 51,000 in 2021.

A lawsuit was lodged against the company on 25 March, in pursuit of a claim of EUR 250,000. The company estimates with a high degree of probability that the maximum damages it could face would be EUR 50,000. The company also created non-current provisions in this amount in March 2021.

5.5.2 Relations with affiliates

The company's affiliates are all the companies in the Fraport Group. In 2020 certain transactions, shown in table below, were executed with controlling company Fraport AG, Germany and companies in Fraport AG group (Fraport Twin Star Airport Management AD, Bulgaria, AirIT Services GmbH, Germany and Fraport Malta Business Services, Ltd., Malta).

in euros

	Fraport AG, Germany	Fraport Twin Star Airport Management AD, Bulgaria	AirIT Services GmbH, Nemčija	Fraport Malta Business Services, Ltd., Malta
Operating revenues in 2020	280	0	0	0
Operating expenses in 2020	609.424	15.913	5.529	0
Finance expenses in 2020	0	0	0	1.063
Short-term deposit, disclosed in cash and cash equivalents as at 31.12.2020	11.300.000	0	0	0
Liabilities as at 31.12.2020	166.700	5.670	0	1.063

5.5.3 Remuneration of management in 2020

The total remuneration of the managing director, the director of the Aviation Academy and the procurator (whose function came to an end on 31 January 2020), who are the staff members employed on contracts to which the tariff schedule of the collective agreement does not apply, amounted to EUR 377,910 in 2020. This includes gross salaries (fixed and variable), reimbursement of food expenses, leave allowance, fringe benefits and termination benefits.

The company did not approve any loans or advances or provide any guarantees in 2020 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 2020, other than salaries.

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, podjetje za revizijo in druge finančno računovodske storitve, d.o.o. for 2020 in the amount of EUR 23,000 relate to auditing services (EUR

22,000, of which EUR 14,800 was paid in 2020, while the remaining will be paid in 2021), and assurance services (EUR 1,000 paid in 2020).