Aerodrom Ljubljana

Aerodrom Ljubljana, d.d.

AUDITED ANNUAL REPORT 2008

March 2009

Contents

DECLARATION BY THE MANAGEMENT BOARD

In accordance with Article 60a of the Companies Act (ZGD-1B), the Management Board and Supervisory Board of Aerodrom Ljubljana, d.d. hereby establish that this Aerodrom Ljubljana, d.d. Annual Report, along with the corporate governance statement, has been compiled in accordance with the Companies Act, the Financial Instruments Market Act and international accounting standards.

In accordance with Article 110 of the Financial Instruments Market Act, President of the Management Board Zmago Skobir and Member of the Management Board Janez Kolar, Msc hereby declare that, to the best of their knowledge:

- the financial report of Aerodrom Ljubljana, d.d. for 2008 has been compiled in accordance with international standards applying to financial reporting and that it is a true and fair representation of the assets, liabilities, financial position and operating profit of Aerodrom Ljubljana, d.d.;
- the business report includes a fair representation of the development and performance of the company and of its financial position, together with a description of the principal types of risk to which Aerodrom Ljubljana, d.d. is exposed.

Janez Kolar, Msc
Member of the Management Board

Zmago Skobir
President of the Management Board

Zg. Brnik, 30 March 2009

BUSINESS REPORT

1 INTRODUCTION

1.1 HIGHLIGHTS OF OPERATIONS

	2008	2007	Index 08/07
Number of passengers	1.673.050	1.524.028	109,8
Aircraft movements	47.926	46.517	103,0
Cargo (in tonnes)	17.188	21.717	79,1
Operating revenues - in thousand euros	39.953	37.218	107,3
Net sales revenues - in thousand euros	38.623	36.324	106,3
Operating expenses - in thousand euros	26.845	24.368	110,2
EBITDA - Operating profit before taxes, interest and depreciation / amortization - in thousand euros	19.249	17.891	107,6
EBIT - Operating profit - in thousand euros	13.108	12.850	102,0
Net financial revenues / expenses - in thousand euros	1.839	8.781	20,9
Pre-tax profit - in thousand euros	14.947	21.631	69,1
Net profit - in thousand euros	11.787	16.702	70,6
Value added - in thousand euros (gross return on operations - costs of material and services - other operating expenses)	31.376	29.582	106,1
EBITDA margin in %	48,18%	48,07%	100,2
EBIT margin in %	32,81%	34,53%	95,0
Assets on 31 December - in thousand euros	124.045	123.186	100,7
Equity capital on 31 December - in thousand euros	116.106	110.291	105,3
Investments - in thousand euros	10.964	26.873	40,8
No. of employees on 31 December	446	441	101,1
Diluted net profit per share in euros (net profit / total number of shares issued)	3,10	4,40	70,6
Market price on 31 December in euros	25,00	147,15	17,0
Book value of shares on 31 December in euros (equity capital / total number of shares issued)	30,58	29,05	105,3
Market price to book value P/B	0,82	5,07	16,2

1.2 SIGNIFICANT EVENTS

1.2.1 Significant events in 2008

- Online check-in

  In January the company introduced a new online check-in service, making the procedure considerably easier for passengers and saving them valuable time. They can now complete some of the necessary formalities over the internet prior to their arrival at the airport.

- Taxiway extension

  In January we put our taxiway extension into operation, complete with two lanes connecting it to the runway. The length of the taxiway, which runs parallel to the runway, is therefore equal to that of the runway. This has considerably improved the safety and capacity of the runway.

- Abolition of air borders for Schengen Member States

  In March, border controls for those travelling within the Schengen area were abolished. Border controls for those entering or leaving the Schengen area remain in place.

- Introduction of new routes, with the discontinuation of several others

  In its summer timetable, the domestic air carrier, Adria Airways, introduced scheduled air services to Bucharest, Athens, Stockholm and Oslo. July saw the introduction of a summer service to Barcelona operated by the low-cost Spanish airline Clickair. In September and October, two scheduled airlines, Brussels Airlines and Finnair, ceased operating flights from the airport (the latter for the winter season only).

- 12th general meeting

  On 20 June, shareholders gathered at the 12th general meeting of shareholders and voted to confer approval on the Management Board and Supervisory Board, passed a resolution on the use of distributable profit for the 2007 financial year, appointed an auditor to carry out an audit of the company's financial statements for the 2008 financial year, and also approved amendments to the company's Articles of Association.

- Two long-haul flights

  In August and September, we handled two long-haul flights operated by the Japanese carrier JAL. This was the first time in over ten years that long-haul flights had operated from our airport.

- Introduction of noise measurements

  In mid-December we commenced continuous noise measurements at selected points in the vicinity of the airport. In the initial phase, this will enable us to identify those breaching noise limits; after the adoption of appropriate legislation, we will also be able to penalise violations.

Significant events after the end of the accounting period

The important events that took place after the end of 2008 are stated under section 5.4 of the financial report.

1.3 REPORT FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Events happened at great speed at Aerodrom Ljubljana in 2008. We note in particular the introduction of the Schengen border into air traffic, Slovenia's Presidency of the European Union and lively traffic volumes in the first half of the year, important visits by senior officials, the 45th anniversary of the founding of the company and, of course, the crisis that has affected the economy as a whole (and with it air transport) in a very short space of time and more deeply than we expected. The crisis will be followed by a new business outlook, for which we are looking to be prepared both infrastructurally and professionally. We are therefore not yet considering a change in our strategy of becoming the leading airport in the region. Despite the less favourable business conditions, which are reflected primarily in a fall in traffic volume, we remain committed to making the planned investments in airport development. We are convinced that it will be this that helps us retain our competitive advantage over other airports in the region in the future.

EU Presidency, abolition of border controls for flights within the Schengen area, and visits by senior state officials

The first half of the year was a particularly busy one at the airport as a result of Slovenia's Presidency of the EU and the resulting increase in the number of passengers. In March, air borders were abolished for flights within the Schengen area. For the company, this entailed operations to enforce strict separation between passengers flying within the Schengen area and those entering it. Visits by senior political representatives of foreign states in 2008 constituted a major challenge for airport administration, and one that we were more than able to meet. The most important visit was undoubtedly that of US President George W. Bush. During his stay, the airport was subject to extremely strict security measures, which included closure of the airspace. Other important visits included that of Queen Elizabeth II, whose aircraft touched down on Slovenian soil on 21 October.

High growth in traffic in the first half of the year, fall in the final months

The number of passengers in the first half of the year rose by more than 20% in comparison with the same period in 2007; this meant that we fulfilled 46% of our planned passenger numbers for the year even before the arrival of the summer season. We can attribute this high growth chiefly to Slovenia's Presidency of the EU. By September this growth had slowed, and in December we recorded 12% fewer passengers than in December 2007. Despite this, the number of passengers in 2008 was 9.8% higher than in 2007 and within the frameworks set by the plans (falling short of the annual plan by just 0.9%).

Important achievements in attracting new carriers and opening new routes included the arrival of a scheduled service operated by the low-cost Spanish airline Clickair, which flew to Barcelona during the summer, and two direct charter flights between Tokyo and Ljubljana, which were operated in August and September by the Japanese airline JAL using Boeing 747 aircraft. These were the first direct long-haul flights to the airport for over ten years.

Despite the progressive deepening of the financial crisis, the performance of the company was good and within the frameworks set by the plans

- Despite the fact that the general economic conditions in the last quarter of the year in particular were considerably worse than expected, we are able to state that performance over the year as a whole was good. We finished the year successfully and within the frameworks set by the plans, with operating revenues of EUR 39.9 million (increase of 7% on 2007) and operating expenses of EUR 26.8 million (increase of 10% on 2007). The operating profit before interest, taxes and depreciation/amortisation (EBITDA) gives a favourable picture: EUR 19.2 million (up by just under 8% on the same period in 2007). The EBIT operating profit was up by 2%, to EUR 13.1 million.

The net operating profit was lower than that achieved in the previous year, as a result of the capital gains made in 2007 from the sale of financial investments. Despite this, the net operating profit still stood at a very healthy EUR 11.8 million.

Vision and medium-term plan remain unchanged

We are pursuing a medium-term plan of investment in facilities and equipment. The intensity of the investment cycle was somewhat reduced in 2008. It is our assessment that current economic conditions do not place execution of the key projects set out in the development strategy at risk. The total value of planned investments in 2009 is EUR 31.6 million. We will finance the principal using our own funds; we will also partly secure funds by taking out bank loans. Major infrastructural projects in 2009 include the expansion of the main airport apron, partial renovation of the runway and commencement of the construction of the new passenger terminal.

Aerodrom Ljubljana, d.d. and its largest business partners are currently faced with a crisis – a crisis most clearly seen in the reduction in passenger numbers. However, this does not change our vision of becoming the leading airport in the region. The foundations of our plans are feasible ones. The expansion of the airport apron, the construction of a new passenger terminal with associated infrastructure, the rerouting of the regional road, a logistics centre, a rail link to the airport and a multimodal logistics centre are all projects of large economic dimensions which we do not intend to neglect, despite the crisis. This means that, despite the tough times ahead, we will not halt investment or development. This is not a case of hollow optimism but of realistic plans based on the plan being drawn up for development of the airport over the next 40 years, on our knowledge and experience, and on the good financial position of Aerodrom Ljubljana, d.d. The history of Aerodrom Ljubljana teaches us that our next step into the future should be a careful one, but one made with firmness and decisiveness as well. The airport has indeed managed to come through several cycles in which traffic volumes fell drastically. We have used these periods to renew our infrastructure and take new approaches to acquiring customers. Where traffic and development have come to an occasional halt, we have always kept going. We will also follow this example in the future.

Zmago Skobir

President of the Management Board

Skobir

1.4 REPORT ON THE WORK OF THE SUPERVISORY BOARD

Operation of the Supervisory Board

In 2008 the Supervisory Board supervised the operations of Aerodrom Ljubljana, d.d. as part of its authorisations and responsibilities as laid down in the Companies Act (ZGD-1), the company's Articles of Association, the Rules of Procedure on the Work of the Supervisory Board, and the recommendations of the Corporate Governance Code for Public Limited Companies and of the Association of Supervisory Board Members.

The work of the Supervisory Board was well organised and involved the active cooperation of the Management Board throughout the year. The members of the Supervisory Board received the material for the session on time, the material being exhaustive in scope and compiled in line with professional standards. They had at their disposal the appropriate reports, information and data, for which the Management Board provided additional clarifications at individual sessions of the Supervisory Board as required, which enabled the members of the Supervisory Board to exercise their responsibility to monitor and supervise the operations of the company and to make decisions. The president of the Supervisory Board also cooperated with the Management Board in preparations for sessions of the Supervisory Board as part of his responsibilities.

The ten-member Supervisory Board convened nine regular sessions in 2008. Among the more important topics addressed by the sessions of the Supervisory Board was the ongoing monitoring of company performance.

- It discussed and adopted the company's Audited Annual Report for 2007, and adopted the Report on its Examination of the 2007 Annual Report and the Statement of Compliance with the Corporate Governance Code for Public Limited Companies for 2007.
- It agreed with the proposal of the Management Board for use of the distributable profit and, in accordance with the recommendations of the Slovenian Government, drafted a proposal about the share in the profit for members of the Supervisory Board, proposed the appointment of an auditor for 2008 and supported the amendments to the company's Articles of Association to allow for harmonisation with the Companies Act (ZGD-1); the above measures were approved in their entirety by shareholders at the 12th general meeting of the company, at which official approval was conferred upon the Management Board and Supervisory Board for their work in 2007.
- The Supervisory Board acquainted itself with the internal auditor's report on the internal audits of the company performed in 2007 and with the internal auditing plan for 2008. In June the Supervisory Board discussed the five-month report on audits performed in 2008; from that month, the duties of internal auditor were assumed by a new internal auditor, who submitted the relevant document and the Rules on Internal Auditing to the Supervisory Board for approval.
- Pursuant to the report on the operations of the company in the first quarter, the unaudited financial statements for the first half of the year and the nine-month report on company operations, the Supervisory Board monitored the realisation of the objectives set for 2008. In inspecting these reports, the Supervisory Board established that the operations of the company were proceeding within the planned frameworks. At the same time the Supervisory Board drew the attention of the Management Board to the need to control costs in light of the general economic and financial crisis, which was followed, among other things, by measures taken by the Management Board to halt the growth in labour costs.

- In accordance with the provisions of the Articles of Association, the Supervisory Board gave its approval to the Management Board for the signing of a contract on the construction of the northern car park, a contract for the execution of works to expand and technologically rearrange the main airport apron, and a purchase contract on the sale of part of the small aviation hangar to Kontrola zračnega prometa Slovenije, d.o.o.

- The Supervisory Board was actively involved in discussions regarding investment in Aerodrom Portorož, d.o.o., in which Aerodrom Ljubljana, d.d. holds a 30.46% stake.

- The Supervisory Board approved the company's business plan for 2009 and acquainted itself with the financial timetable for 2009, where the more significant of the company's public statements are planned.

- The Supervisory Board thanked the Management Board and the professional services for the excellent discharge of their duties connected to Slovenia's Presidency of the European Union.

On the basis of the comprehensive monitoring and supervision of the operations of the company, the Supervisory Board establishes that the company operated within the planned frameworks in 2008, despite the negative trends in the economy.

Supervisory Board Committees

Two committees were in operation in 2008. They reported on their work to the Supervisory Board:

- a committee to supervise planned investments in the second phase of the new passenger terminal, which has convened on two occasions and

- a three-member audit committee appointed by the Supervisory Board at the end of the year pursuant to the provisions of Article 280 of the Act Amending the Companies Act (ZGD-1B). One member of the committee is an independent professional qualified in accounting and auditing; the other two members are members of the Supervisory Board.

Proposal for the use of the distributable profit

Pursuant to Article 282 of the ZGD-1, the Supervisory Board examined the proposal for the use of the distributable profit, on which the final decision is made by the company's general meeting. It established that the proposed use of the distributable profit was in accordance with Article 230 of the ZGD-1 and the company's Articles of Association, and that the proposal contained data that complied with the requirements of Article 293 of the ZGD-1.

The Supervisory Board agreed with the proposal of the Management Board under which EUR 1,632,506.61 of the distributable profit of EUR 5,373,831.51 would be earmarked for the payment of dividends to shareholders and EUR 3,741,324.90 would go to other reserves. The proposed dividend for 2008 is EUR 0.43 gross per share. In accordance with the company's Articles of Association, the dividends for participating preference shares and ordinary shares are the same. The Supervisory Board establishes that the proposal is in line with the company's strategic objectives and investment plans.

Approval of the company's 2008 Annual Report

The Supervisory Board has established, on the basis of a detailed examination of the Annual Report and of the proposal for the use of the distributable profit, which were submitted by the Management Board in accordance with Article 282 of the ZGD-1, that the company's 2008 Annual Report has been compiled clearly and transparently and constitutes a true and fair picture of the property, liabilities, financial standing and operating profit of the company. The Annual Report also contains all the formal and substantive components legally required of an annual report of a company and that it was submitted for examination on time. The Supervisory Board establishes that the Annual Report provides shareholders and the public with an insight into the conditions and operating results of the company in 2008.

After completing its examination of the company's Annual Report, the Supervisory Board had no comment to make thereon, and unanimously adopted it at its 39th session held on 16 April 2009.

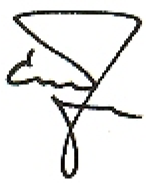
Independent auditor's position on the Annual Report

In accordance with the recommendations of the Corporate Governance Code for Public Limited Companies, the auditor from the auditing firm Deloitte revizija, d.o.o. that audited the financial statements of the company for 2008 was present at the session of the Supervisory Board at which the company's Annual Report was discussed. The Supervisory Board acquainted itself with the independent auditor's report and established that his opinion was unqualified. The Supervisory Board had no comments on the independent auditor's report and agreed with it.

Conferral of approval

The Supervisory Board proposes to the general meeting of shareholders that it confer approval on the Management Board and Supervisory Board for operations in 2008.

Janez Čadež
President of the Supervisory Board



Zg. Brnik, 16 April 2009

1.5 PRESENTATION OF AERODROM LJUBLJANA, D.D.

1.5.1 Significant information about the company

Firm:	Aerodrom Ljubljana, d.d.
Registered office:	Zg. Brnik 130a, 4210 Brnik–aerodrom, Slovenija Phone: +386 (0)4 2061000, Fax: +386 (0)4 2021220 e-mail: info@lju-airport.si, http://www.lju-airport.si
Activity code:	52.230 - other auxiliary activities in air transport
Size:	a large company according to Companies act (ZGD-1)
President of the Management Board:	Zmago Skobir
President of the Supervisory Board:	Janez Čadež
Number and date of entry of conversion into a public limited company in the Companies Register:	96/01184, 28 January 1997
Registration number:	5142768000
VAT ID no.:	SI12574856
Equity capital as at 31 December 2008:	EUR 15,842,626
Total number of shares as at 31 December 2008:	3,796,527 no-par value shares, of which 1,936,229 shares are ordinary freely transferable no-par value shares and 1,860,298 shares are participating preference no-par value shares with limited voting rights
Quotation of ordinary shares:	Ljubljanska borza, d.d., stock exchange quotation
Designation of ordinary shares:	AELG
Transaction accounts:	Nova Ljubljanska banka d.d. 02921-0014174945 Banka Koper d.d. 10100-0029177110
Financial year:	calendar year
Number of employees as at 31 December 2008:	446

1.5.2 Activities of the company

Our basic lines of business comprise:

- airport management, including aircraft take-offs and landings and the use of infrastructure and the passenger terminal;
- ground handling services for aircraft, passengers and cargo;
- other commercial activities such as relevant retail, catering and other services, car parking for passengers and airport visitors, leasing of commercial and advertising space, warehousing and logistical services.

1.5.3 Mission and vision

Mission

Aerodrom Ljubljana, d.d. ensures that all the airports users are provided with flight services and other commercial services that are safe, punctual and of high quality, and to attend to the development of the airport in line with carrier's and passenger's demands, the types of traffic and the requirements of the European Union.

Vision

In the next decade Aerodrom Ljubljana, d.d. aims to expand its infrastructure and increase its traffic to become a leading provider of air connections and services in this region, both for passenger traffic and cargo traffic.

Our vision is additionally supported by the following facts:

- the favourable geographical location of the airport, which is a good point of departure for flights to Central, Eastern and South Eastern Europe, and for links to Western European countries;
- unexploited tourism potentials;
- the dimensions of the existing runway;
- the price-competitiveness of our services.

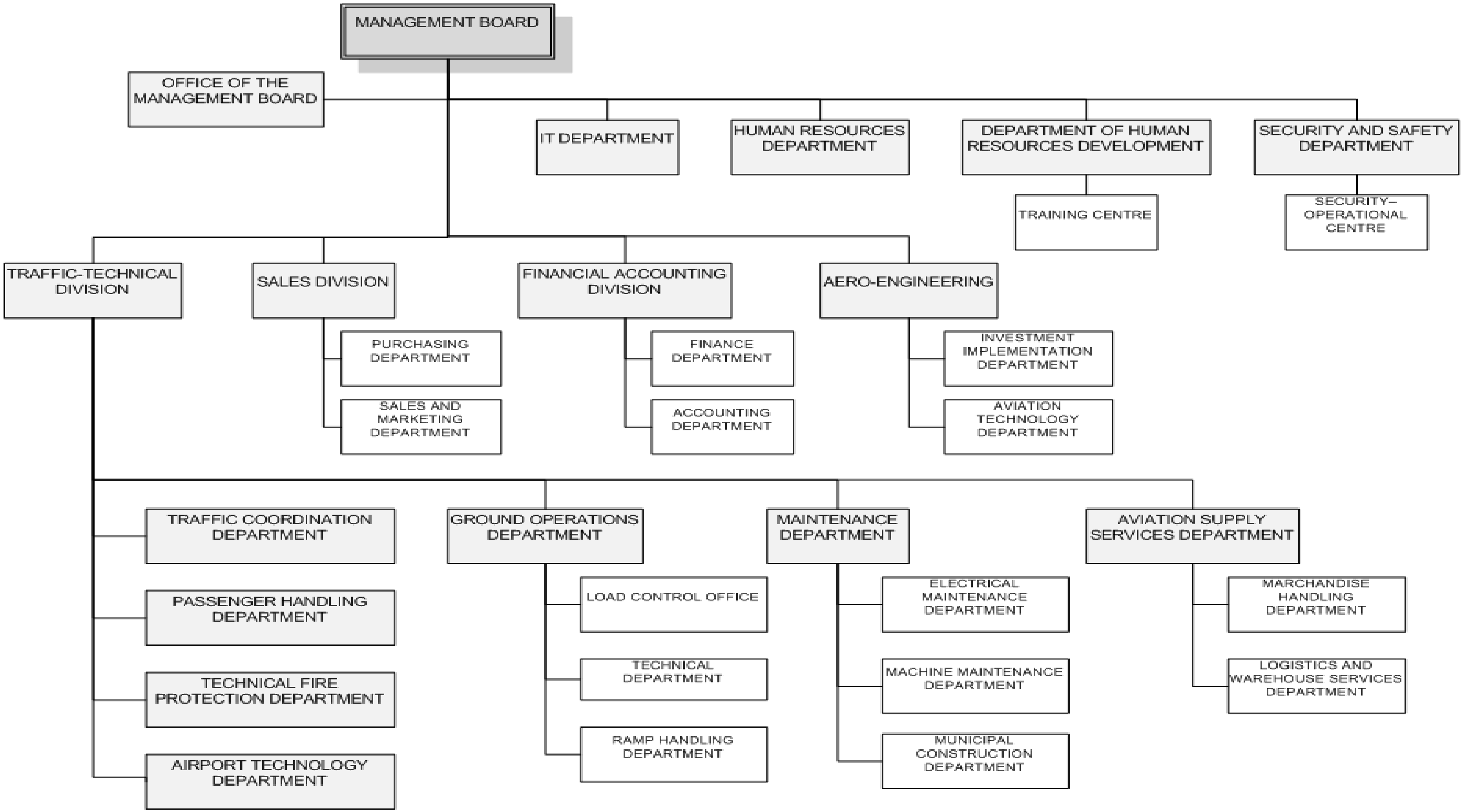
1.5.4 Strategic orientation

The company's main strategic goals for the period up to 2015 are:

- to increase the number of passengers to 2.2 million;
- to increase the number of aircraft movements to 57 thousand;
- to increase the volume of transported cargo to 23.3 thousand tones.

Our ability to achieve these objectives is conditional upon intensive marketing activities aimed as retaining and increasing traffic, and upon ensuring capacities and facilities to an extent that enables the high-quality provision of services to passengers, aircraft and cargo operators, as well as commercial services. Despite the current unfavourable economic conditions, and the fact that air transport is experiencing less positive favourable trends than in past years, we continue to pursue our medium-term airport expansion plans. The company's most important investment remains the second phase of the new passenger terminal, which will be able to handle 2.5 million passengers a year. Completion is planned for 2011.

1.5.5 Organisation



1.5.6 Data on companies under the majority ownership of Aerodrom Ljubljana, d.d.

Company	Address	Ownership interest in %	Value of the investment in euros	
			31. 12. 2008	31. 12. 2007
Aerodrom Portorož, d. o. o.*	Sečovlje 19, Sečovlje	30.46	1,251,878	1,251,878
Fenikššped, d. o. o., Brnik**	Zg. Brnik 130e, Brnik-aerodrom	51.00	53,205	53,205

* Investment in Aerodrom Portorož, d. o. o. recorded as investment in associated company.
** Investment in Fenikššped d.o.o., Brnik recorded as for the sale of available financial resources.

Despite the fact that we do not compile group financial statements that would consolidate these two companies, the financial statements of Aerodrom Ljubljana, d.d. do present a true and fair picture of the financial standing of the company as at 31 December 2008 and of its operating and financial result in 2008, since the inclusion of the subsidiary companies in the group is not required for a true and fair picture of operations and financial standing in 2008.

1.5.7 Membership of international organisations

The company is an active member of the European association of airport operators ACI Europe, which contains a number of committees and other professional groups.

We are members of the Small and Medium Size Airports Action Group (SMAG), which provides a space for the exchange of experience in airport management; the group also monitors the preparation of European legislation and drafts proposals for the benefit of small and medium-sized airports.

We are also active within the Aviation Security Committee, which deals with issues of security at airports and puts forward proposals for new solutions.

We also participate in the Policy Committee, whose main task is the preparation of strategic guidelines for the management of ACI Europe, and the coordination and provision of links between the other committees. This committee contains around ten working groups for different areas. Last year we were most active in the working group responsible for the drafting of the Policy Manifest (which comes out this year), in the group charged with drawing up the work programme, and partly in activities leading up to adoption of the Directive on airport charges.

We are also members of the Commercial Forum, an interest group for commercial activities at airports.

1.5.8 Celebrating 45 years of operation

December 2008 marked the 45th anniversary of the airport's move from Letališka cesta in Ljubljana to Brnik. In those 45 years, we have handled 28,603,914 passengers, 739,723 aircraft movements and 336,281 tonnes of cargo.

1963 – the first aircraft lands at Brnik

On 24 December 1963 the first aircraft landed at Brnik Airport. It was a DC-6B operated by the Slovenian national carrier, which at that time was called Adria Aviopromet (today's Adria Airways). Scheduled flights began on 9 January the following year. Flights to Belgrade, Dubrovnik and London were operated by JAT, while Adria Aviopromet flew to Belgrade and Algiers.

1978 – runway extension and expansion of the airport apron

In 1978 Aerodrom Ljubljana successfully reconstructed the runway and modernised its navigational equipment. Reconstruction and modernisation were carried out in July and August of that year. This necessitated the closure of the airport, with flights being redirected to Maribor, Pula and Zagreb. Scheduled flights recommenced on 1 September.

The longer runway and increased load-bearing capacity made inter-continental flights possible, and on 20 December 1978 JAT began operating a DC-10 to New York.

1988 – change of business philosophy

The airport was no longer simply a set of buildings or an 'air transport station'. Marketing and commercialisation started to gain emphasis; consequently, part of the airport's revenues began to be generated by services that were not of an aeronautical nature.

1991 – Slovenia gains independence

With Slovenia's independence, Brnik became the new country's main airport. Traffic was restructured, after an initial fall, in the years that followed, with routes to a large number of European cities being established. Several foreign carriers began to appear at Brnik alongside the domestic airline, Adria Airways.

We used those years of reduced traffic to renovate the airport building and the apron aircraft parking, and to introduce information technology for airport staff and passengers.

1997 – completion of the ownership restructuring process and the listing of AELG shares on Ljubljana Stock Exchange

Aerodrom Ljubljana was entered in the Companies Register as a public limited company on 28 January 1997. At the first shareholders' meeting, which was called for 3 July the same year, the members of the Supervisory Board were appointed and the Articles of Association for company operations adopted. The Supervisory Board later appointed the first Management Board of the company. On 8 October 1997, AELG shares were placed on stock exchange listing A at Ljubljana Stock Exchange.

2004 - opening of the market, entry into the EU and more intensive marketing activities

In 2004 four new airlines began to fly from the airport: the low-cost carrier easyJet, Austrian Airlines, Malév Hungarian Airlines and Air France. We recorded an annual figure of more than one million passengers for the first time in our history. This round number had great significance in itself, since it confirmed that the company's past business decisions had been correct; at the same time, it committed us to undertake new development projects in the future. This was followed by a steep growth in traffic and the company entered a new cycle of infrastructure development.

2 CORPORATE GOVERNANCE STATEMENT

Pursuant to the provisions of the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the Management Board and Supervisory Board Aerodrom Ljubljana, d.d. hereby provide the following Corporate Governance Report for 2008.

2.1 STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR PUBLIC LIMITED COMPANIES

Through its compliance with the principles of recommended business practice in management and administration, the company is striving to raise the level of company management and administration. The guidelines of the Corporate Governance Code for Public Limited Companies, in force since 5 February 2007, is crucial to this endeavour and is available in the Slovenian and English languages on the website of the Ljubljana Stock Exchange (www.ljse.si).

The Management Board and Supervisory Board of Aerodrom Ljubljana, d.d. hereby declares that the company abides by the Corporate Governance Code for Public Limited Companies in its work and operations, with the exception of the derogations stated below.

- Code provision 1.3.7: When publishing the convening for the general meeting, the company's management should also provide the company's official website address. The company's management should publish the reports and material stipulated by law on the company's official website, together with the convening of the general meeting, the agenda, proposals for resolutions to be adopted and their substantiation.

  The company has not up to now observed these recommendations on the publication of material for the general meeting and the convening of the general meeting on the company's official website. It will do so in time for the convening of the 2009 general meeting.

- Code provision 1.3.10: If the general meeting is to elect members of the Supervisory Board as proposed by the Supervisory Board, the substantiation of proposals for such resolutions to be adopted should include – along with the data required by law – information on their membership of any other management or supervisory bodies and any potential conflicts of interest).

  Up to now the company has not published information on nominees' for membership of the Supervisory Board and will abide by this recommendation in the future, with due compliance with the Personal Data Protection Act.

- Code provision 1.3.9: Members of the Supervisory Board should be elected by the shareholders' meeting individually.

  To date the company has not observed the recommendation regarding individual election of Supervisory Board members.

- Code provision 2.2.1: A company should stipulate in its bylaws (articles of association, rules of procedure of the Management Board) the allocation of areas of responsibility and duties among the members of the Management Board and the method of their cooperation.

  The areas covered by the president and member of the Management Board were specified in a resolution of the Supervisory Board on the appointment of the president and member of the Management Board.

- Code provision 8.15.5: Companies should assess the need for prescribing an internal company act laying down rules restricting the trading in and on disclosure of trading in company shares and shares of associated companies. Companies are encouraged to prescribe in such acts a precise list of persons governed by restrictions on trading and the period of restriction on trading tied to disclosure.

The reporting by members of the Management Board and Supervisory Board on trading in company shares is regulated by the Decision on Information on Significant Holdings, in accordance with the Financial Instruments Market Act.

The company has no bylaw restricting trading in company shares, but it does have a Resolution on the Protection of Commercial Secrets, which also applies to members of the Supervisory Board. The company also has a list of persons to whom internal information is accessible.

The Statement of Compliance with the Corporate Governance Code for Public Limited Companies is a constituent part of the Corporate Governance Statement and is published on the websites of Ljubljana Stock Exchange (SEOnet) and the company (www.lju-airport.si), where it shall remain accessible for five years following publication.

2.2 MAIN FEATURES OF THE INTERNAL CONTROL SYSTEMS AND OF RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCEDURE

Aerodrom Ljubljana, d.d. has established within its operations an extensive mechanism of internal control and risk management in relation to the financial reporting procedure. The objective of this system of internal controls is alignment with the laws and regulations in force, the accuracy, completeness and reliability of financial reporting, a reduction in the risks relating to company operations, achievement of the company's strategic goals, and realisation of the company's overall strategy.

The internal controls contain defined objectives by individual area of company operation, and the risks and the method used to control them are identified. Risk management is set out in greater detail in section 3.8 of the operations part of this Annual Report ('Risk Management'). Appropriate control procedures for the operation of internal controls, financial reporting and compliance with the rules have been set up. Financial reporting is based on a system of recording of business events which has built-in internal financial controls whose effectiveness is monitored on a continual basis. A system of reporting on identified risks and procedures has been designed, and supervision of internal control procedures is carried out.

Internal auditing

Internal auditing, which has a support function for the Management Board and is therefore carried out from its office, has been performed since 2000. Its basic area of operation comprises the internal control of all business and other risks to which the company is exposed. When assessing whether internal controls are appropriate and fit for purpose, the permanence and reliability of their operation are also examined.

Within the internal auditing process, which employs internal auditing standards, oversight is exercised on individual business processes and procedures that affect whether the objectives of business operations can be achieved. Internal auditing is also concerned with improvements to business processes, thus making a significant contribution to increasing the effectiveness of business operations and the transparency and reliability of information. The internal auditors report on their work to the company's Management and Supervisory Boards.

External auditing

Aerodrom Ljubljana, d.d. complies with the recommendation of the Corporate Governance Code for Public Limited Companies that the external auditing firm be replaced every five years. Therefore, pursuant to the resolution of the general meeting, which was adopted at its 12th session on 20 June 2008, financial statements of the company for 2008 were, for the second year in succession, audited by Deloitte revizija, d.o.o., Ljubljana.

2.3 INFORMATION PROVIDED UNDER THE SIXTH PARAGRAPH OF ARTICLE 70 OF THE ZGD-1

As a company obliged to comply with the act governing takeovers, Aerodrom Ljubljana, d.d. provides the information required under the sixth paragraph of Article 70 of the ZGD-1 to reflect the situation as at the last day of the financial year, along with all required explanatory notes:

Qualifying holdings under the Takeovers Act (ZPre-1):

As at 31 December 2008, the following shareholders of the company had attained a qualifying holding under the ZPre-1:

- Republic of Slovenia (1,923,853 shares, 50.67% holding in the issuer's capital);
- Pension Fund, d.d. (279,561 shares, 7.36% holding);
- Slovenian Restitution Fund, d.d. (258,958 shares, 6.82% holding).

Holders of securities ensuring special controlling rights:

None of the holders of company securities have special controlling rights.

Restriction of voting rights

Preference participating shares with restricted voting rights have full voting rights in instances stipulated by law and by the Articles of Association. Pursuant to the Articles of Association, preference participating shares have full voting rights when decisions are being made on the following: amendments to the Articles of Association, an increase or reduction in the company's share capital, the appointment and dismissal of members of the Supervisory Board, termination of the company and a change in its status, the appointment of an auditor, and the change of preference participating shares with restricted voting rights into registered ordinary shares.

Rules of the company on the appointment and replacement of members of management or supervisory bodies, and on amendments to the Articles of Association

The rules of the company on the appointment and replacement of members of management or supervisory bodies are laid down in the Articles of Association.

The members and president of the Management Board are appointed by the Supervisory Board for a term of five years, with the possibility of reappointment. The Supervisory Board may dismiss the president and members of the Management Board if they commit a serious breach of their duties, if they no longer have capacity to contract, if they receive a vote of no confidence from the general meeting (unless the vote of no confidence is clearly unsubstantiated), or on any other economic/commercial grounds (significant changes in shareholdings, reorganisation, launch of new services, major changes in lines of business, etc.). At least two-thirds of the members of the Supervisory Board must be in attendance for it to deemed quorate when appointing or dismissing the president or members of the Management Board.

The Supervisory Board consists of ten members, of whom seven are elected by shareholders and three are appointed by the works council in accordance with the Workers' Participation in Management Act. The shareholders' representatives elected by the general meeting with an ordinary majority of votes for a period of four years are proposed by: Republic of Slovenia (four members), Pension Fund, d.d. and Slovenian Restitution Fund, d.d (one member), authorised investment companies (one member) and other shareholders (one member). The members of the Supervisory Board elect a president and deputy-president from among themselves. Members of the Supervisory Board may be dismissed before their term of office ends by a three-quarters majority of votes cast at the general meeting.

A resolution by the general meeting is required for any amendment to the Articles of Association. Proposed amendments to the Articles of Association must be published. Should the proposal not be published, the place where the wording of the proposed amendments is available must be made public. Unless the law stipulates otherwise, a majority of the represented share capital is required for a general meeting resolution on an amendment to the Articles of Association to be valid, if at least half the share capital is represented when the resolution is voted upon.

Powers of members of the management, and in particular powers to issue or buy own shares

The powers of members of management are laid down in the company's Articles of Association, where no special powers to issue or buy own shares are specified.

2.4 GENERAL MEETING OF SHAREHOLDERS

Shareholders of the company exercise their rights deriving from ownership of the company at the general meeting of shareholders. The general meeting is the highest body within the company and operates in accordance with the provisions of the Articles of Association and the Companies Act. Under the recommendations of the Corporate Governance Code for Public Limited Companies, the Articles of Association are published on the company's website (www.lju-airport.si) in the Slovenian and English languages.

The general meeting of shareholders is generally convened by the Management Board on an annual basis. Notice of the general meeting, which contains the time and place of the meeting, the agenda and the proposed resolutions, is published at least 30 days prior to the meeting in the Official Gazette of the Republic of Slovenia, on Ljubljana Stock Exchange's electronic notification system (SEOnet) and on the company's website.

Shareholders entered in the shareholders' register by the cut-off date given in the notice convening the general meeting have the right to participate at the meeting, along with shareholders' representatives and agents who register their participation in writing at least three days before the meeting. The company actively encourages shareholders to exercise their rights through the organised collection of proxies, on the basis of which shareholders may exercise their voting rights at the general meeting without having to be present in person. In the organised collection of proxies, the company complies with the recommendation of the Corporate Governance Code for Public Limited Companies that the agent not be a member of the company's Supervisory Board or Management Board.

The 12th general meeting took place on 20 June 2008. Shareholders adopted resolutions on the following:

- use of the distributable profit for 2007,
- the conferral of official approval upon the members of the Management Board and the Supervisory Board for their work,
- appointment of the auditor for 2008 and
- amendments to the Articles of Association (discontinuation of the obligation to publish notices convening general meetings in the Delo newspaper, alignment of activities with the Decree on the Standard Classification of Activities).

In accordance with the company's Articles of Association, owners of registered shares vote on the use of distributable profit and the conferral of official approval on the Management Board and Supervisory Board, and owners of preference and registered shares vote on the appointment of the auditor and on amendments to the Articles of Association. All the above-mentioned matters are decided by an ordinary majority of votes cast by shareholders.

2.5 COMPOSITION AND OPERATION OF MANAGEMENT AND SUPERVISORY BODIES

The management and administration of Aerodrom Ljubljana, d.d. is based on legal provisions, the provisions of the company's Articles of Association and the Corporate Governance Code for Public Limited Companies. It proceeds according to a two-tier system, where the company is managed by the Management Board and its operations are supervised by the Supervisory Board.

2.5.1 Supervisory Board

The competences of the Supervisory Board are laid down in the Articles of Association. The Supervisory Board's method of work is regulated by the Rules of Procedure on the Work of the Supervisory Board, which in line with the Corporate Governance Code for Public Limited Companies are published on the company's website. The activities and method of operation of the Supervisory Board in 2008 are detailed in the Supervisory Board Report on Verification of the Company's 2008 Annual Report.

Composition of the Supervisory Board

In accordance with the provisions of the Articles of Association, the company's Supervisory Board is made up of ten members (seven shareholders' representatives and three employees' representatives). They are elected for a term of four years. The present mandate expires on 3 July 2009. The Supervisory Board comprises:

- shareholder representatives: Janez Čadež - President, David Benedek, Miloš Bevc, Peter Habjan, Dušan Hočevar, Milan Kneževič and Franc Željko Županič,
- employee representatives: Drago Čotar, Igor Domevščik and Bogdan Novak.

Supervisory Board Committees

In 2008 the Supervisory Board appointed a committee to supervise and control investments planned in relation to the second phase of the new passenger terminal. This committee has convened on two occasions.

Pursuant to the Act Amending the Companies Act (ZGD-1B), the Supervisory Board formed a three-member auditing committee, made up of two members of the Supervisory Board and one external member (an independent expert specialising in accounting and auditing).

2.5.2 Management Board

In accordance with the Articles of Association, the Management Board comprises a maximum of three members, one of which is the president of the Management Board. The term of office of the president and members of the Management Board is five years, with the possibility of re-appointment. The current Management Board comprises two members. The president of the Management Board, Zmago Skobir, began his five-year term of office on 5 July 2007. The other member, Janez Kolar, began his term on 1 March 2007. The Management Board runs the company independently, at its own liability and in the interests of the company. The president of the Management Board represents the company and concludes business transactions with a value of up to EUR 1 million without restriction. He concludes transactions above this threshold value with the prior consent of the Supervisory Board.

The Management Board has discharged its responsibilities in accordance with the Rules of Procedure on the Work of the Management Board, reported regularly to the Supervisory Board in accordance with the Articles of Association and the Rules of Procedure on the Work of the Supervisory Board, and discharged its obligations to shareholders as defined in the Companies Act. In accordance with legal provisions, the

Management Board has also worked with the works council and with the company’s representative trade union.

3 COMPANY OPERATIONS IN 2008 AND PLANS FOR 2009

3.1 ECONOMIC CONDITIONS IN 2008 AND OUTLOOK FOR 2009

Last year was marked by the negative effects of the economic crisis and their gradual transfer to the real economy. This was reflected in a fall in economic activity, a reduction in demand, reduced credit activity on the part of banks, stricter access to financial resources, and a fall in the level of business confidence. As late as the first half of last year, Slovenia recorded economic growth of 5.6%, followed by 3.8% in the third quarter. In the last quarter, year-on-year GDP fell by 0.8%, which was the first fall since 1993. Over the whole year, GDP was still 3.5% higher than in 2007; this was considerably less than the high level of growth seen in 2007 and mainly reflected the high growth recorded in the first half of the year. The reasons for this lie in the fall in exports, investments and added value in manufacturing industry in the last quarter.

As a result of uncertainty, estimates of economic growth in Slovenia in 2009 vary widely and are subject to modification. Even towards the end of 2008, positive economic growth was being predicted; this has been shown to be an exaggeration that failed to take proper account of the economic growth figures in the last quarter of the year. We are indeed expecting further reductions in exports, so that it is entirely possible that economic growth in 2009 will be negative or, in the best case, at the zero level.

The general economic climate also affected the volume of air traffic in 2008. While the number of passengers at European airports in the first half of 2008 grew by 3.9% in comparison with the same period in 2007, a negative trend was recorded between September and December. The total number of passengers in 2008 fell by 0.2% on the year before. The unfavourable conditions were reflected even more strongly in the total weight of cargo carried, which fell by 4%. The number of aircraft movements also fell, but only by 0.7%. December was the key month if one looks at the month-by-month figures: the total number of passengers fell by 7.7%, cargo by 21.4% and aircraft movements by 8.1% in comparison with December 2007. Statistical figures for aviation in Slovenia are slightly more encouraging; as in Europe as a whole, December saw a strong fall, with the number of passengers falling by almost 3% and cargo weight by 19% in comparison with December 2007.

The high inflation that was already being recorded at the end of 2007 continued into the first half of 2008; the constant increases in the price of oil and other fuels, as well as food and raw materials, had a significant effect on this. August was followed by a period of gradual price reductions, with a consequent fall in inflation; oil settled at more or less the same price as seen in December 2007. Annual inflation, measured using the harmonised consumer price index, was 1.8% in Slovenia, 1.6% in the euro zone and 2.2% across the European Union as a whole. The fall in prices seen in the last few months gradually slowed, coming to a halt in February 2009. High inflation was also followed by wage growth. In 2008 the average gross wage nominally rose by 8.3% (2.5% in real terms).

After the steep rises in share prices in 2007, the situation reversed on the world stock markets, including Slovenia's, in 2008. The main share index on the Ljubljana Stock Exchange (SBI20) fell by 67.5% in 2008 and the SBITOP index by 66.1%. The fall in securities prices also led to a fall in trade and a fall in the market capitalisation of Ljubljana Stock Exchange shares. In 2008, 42.3% fewer transactions were concluded than in 2007, with market capitalisation falling by 57.1%. Almost three-quarters of trade were in shares (first quotation shares accounted for 53% of total trade). In light of the tightening of conditions on financial markets, the growth in the percentage of trade in bonds (almost 20% of all trade) is understandable. While conditions are substantially different in comparison with previous years, with negative trends and pessimism more often than not dominating, one undoubtedly positive event in 2008 was the listing of the shares of a number of important financial institutions on the Ljubljana Stock Exchange, which contributed to an increase in the representativeness of the organised capital market and to improvements in transparency and greater comparability with capital markets abroad.

3.2 MARKET POSITION, MARKETING ACTIVITIES AND VOLUME OF TRAFFIC

3.2.1 Market position and marketing activities

The activities carried out in 2008 were a continuation of our marketing efforts of previous years. These were primarily oriented towards increasing the volume of traffic, attracting new carriers, providing incentives for new direct routes from the airport, and stepping up the marketing of commercial services. Slovenia's Presidency of the European Union in the first half of 2008 raised the country's profile as a destination; during that period, the number of passengers at the airport increased by 21.6% compared to the first half of 2007. In the summer season, a new Spanish low-cost airline, Clickair, began flights from our airport, which added to existing flights to Barcelona. Adria Airways established four new routes: Athens, Bucharest, Oslo and Stockholm. In the area of charter flights, the Japanese airline JAL operated a Boeing 747 on two occasions in August and September between Ljubljana and Tokyo. These were the first direct intercontinental flights to the airport in over ten years.

The first half of 2008 saw an exceptional increase in the price of aviation fuel, followed in the second half by the financial and economic crisis and slowed economic growth, which was reflected in a fall in demand for air transport services. Brussels Airlines ceased flying from the airport in September, and the low-cost carrier easyJet reduced the number of flights towards the end of the year. Finnair suspended flights between October 2008 and summer 2009. The negative conditions on the market can also be seen in the more restrained approach by other business partners to the possible extension of cooperation, as well as in their measures to increase cost-efficiency.

In the air transport sector, there has been a more noticeable increase in competition between carriers and airports alike in response to the changed conditions on the market. Aerodrom Ljubljana, d.d. operates in an intensely competitive market; within an air radius of 250 km, which is our target market for outgoing traffic, there are more than six major international airports in operation. They also offer our target customers interesting and attractively priced routes, as well as other ancillary services. Our activities are directed towards an active search for new forms of cooperation and the retention of successful cooperation with existing business partners.

We also responded to more difficult market conditions in 2008 by adjusting our pricing policy. We managed to attract new passengers to our airport by launching promotional activities on foreign markets in collaboration with carriers. With the aim of acquiring passengers that otherwise use competing airports, we worked with travel agents, advertising our airport in their brochures as a perfect departure point for their journey. We are an active presence on cross border markets through advertising and marketing in local media, and a good deal of the marketing of our services takes place through direct contact with existing and potential business partners. The premises of our pricing policy are otherwise increasingly dictated by the requirement to meet conditions laid down by the European Union, which entail adherence to the principles of non-discrimination between partners and price transparency.

We also pushed on with activities to attract carriers that had, in the past, expressed an interest in including our airport in their flight networks but had not yet established flight operations there. In the area of cargo transport, we took account of the fact that traffic volume is falling in response to global trends, focusing our activities on improving conditions and the quality of services that we offer carriers and on seeking out new links with the Middle East.

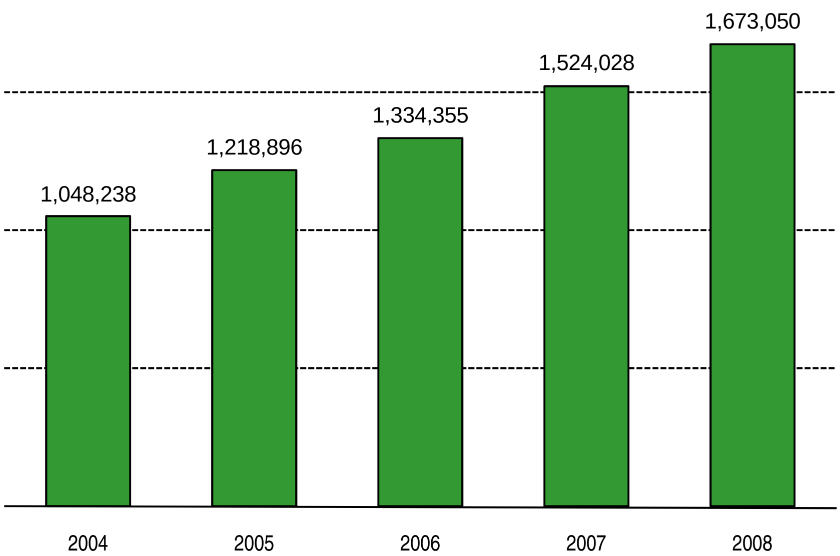
In 2008 we collaborated closely in our marketing activities with the economic interest consortium SPOT, of which we are a founding member. The aim of the consortium is to provide for the faster and more numerous arrivals of foreign air travellers in Slovenia. Within SPOT we endeavour to integrate more closely and promote the range of tourist products and services offered by Slovenia, and to attract new foreign carriers to our airport.

Revenues from commercial services are assuming an ever more significant position within the operating revenues structure; the most important of these are the renting of business and trade premises, and parking, storage and advertising services. In 2008 we marketed this area even more intensively, which is reflected in the 12.9% growth in revenues from commercial services. It is these commercial services that present us with our greatest opportunity for increasing operating revenues; within the structure of the services we provide, it is the area that is developing the most.

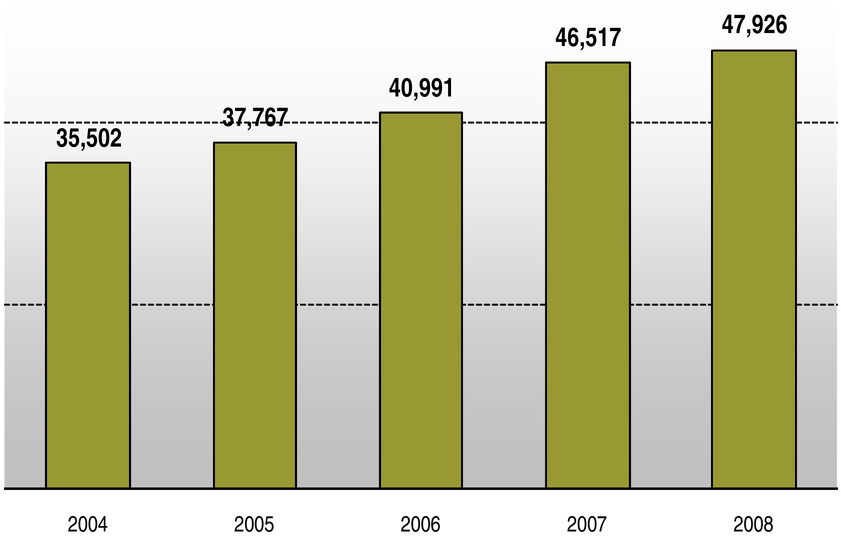
3.2.2 Traffic

Despite the slowdown in the growth in traffic in the last months of 2008, we did manage to preserve the positive trend of previous years in both the number of passengers carried and the number of aircraft movements. In 2008 the number of passengers increased by 9.8% in comparison with the previous year (to 1,673,050), while the 47,926 aircraft movements recorded constituted a 3% increase on 2007. The situation regarding cargo transport is somewhat less encouraging: the 17,188 tonnes of cargo carried in 2008 represented a reduction of over one-fifth.

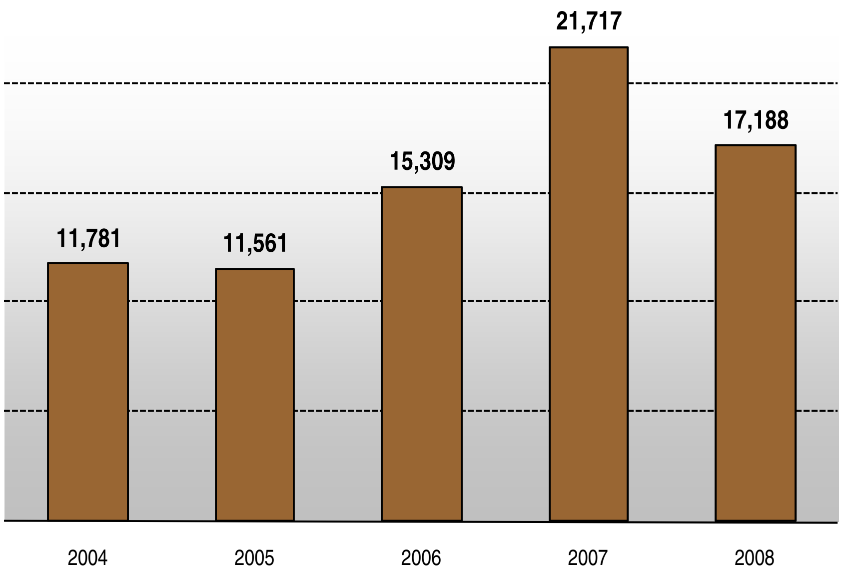
No. of passengers in years 2004 - 2008



No. of aircraft movements in years 2004 - 2008



Cargo traffic (in tonnes) in years 2004 - 2008



Detailed data on volume of traffic in 2008:

	Elements	Realisation 2008	Realisation 2007	Plan 2008	Index R08/R07	Index R08/Pl.08	Proportion (%) R08	Proportion (%) R07	Proportion (%) Pl. 08
1.	**NO OF PASSENGERS**	**1.673.050**	**1.524.028**	**1.688.759**	**109,8**	**99,1**	**100,0**	**100,0**	**100,0**
1.1.	PUBLIC TRAFFIC	1.662.913	1.515.839	1.679.548	109,7	99,0	99,4	99,5	99,5
1.1.1	Domestic carriers	1.246.638	1.082.291	1.240.880	115,2	100,5	74,5	71,0	73,5
1.1.2	Foreign carriers	416.275	433.548	438.668	96,0	94,9	24,9	28,4	26,0
1.2.	GENERAL AVIATION	9.565	7.749	8.771	123,4	109,1	0,6	0,5	0,5
1.2.1.	Domestic	4.794	4.337	4.927	110,5	97,3	0,3	0,3	0,3
1.2.2.	Foreign	4.771	3.412	3.844	139,8	124,1	0,3	0,2	0,2
1.3.	OTHER	572	440	440	130,0	0,0	0,0	0,0	0,0
2.	**AIRCRAFT MOVEMENTS**	**47.926**	**46.517**	**52.709**	**103,0**	**90,9**	**100,0**	**100,0**	**100,0**
2.1.	PUBLIC TRAFFIC	35.492	33.751	39.242	105,2	90,4	74,1	72,6	74,5
2.1.1	Domestic carriers	25.167	23.060	26.407	109,1	95,3	52,5	49,6	50,1
2.1.2	Foreign carriers	10.325	10.691	12.835	96,6	80,4	21,5	23,0	24,4
2.2	GENERAL AVIATION	10.958	11.358	12.059	96,5	90,9	22,9	24,4	22,9
2.2.1	Domestic	8.780	9.572	10.055	91,7	87,3	18,3	20,6	19,1
2.2.2	Foreign	2.178	1.786	2.004	121,9	108,7	4,5	3,8	3,8
2.3	OTHER	1.476	1.408	1.408	104,8	104,8	3,1	3,0	2,7
3.	**CARGO TRAFFIC**	**17.188**	**21.717**	**25.795**	**79,1**	**66,6**	**100,0**	**100,0**	**100,0**
3.1.	Aircraft	9.118	13.206	16.859	69,0	54,1	53,1	60,8	65,4
3.2.	Truck	7.211	7.696	8.080	93,7	89,2	42,0	35,4	31,3
3.3.	Mail	859	815	856	105,4	100,3	5,0	3,8	3,3

Public traffic

Of all passengers in 2008 (1,673,050), 99.4%, or 1,662,913, were carried in public traffic, a rise of 9.7% on the year before. A total of 1,397,111 passengers, a rise of 12.1% on 2007, used the ***scheduled*** routes operated by 13 airlines (which connect Ljubljana Airport to 32 European destinations); the remainder (265,802) were carried on ***charter*** flights (a fall of 1.5% on 2007).

In 2008 we continued to see a growth in the number of transfer passengers, to 261,014. They represented 15.7% of all public traffic passengers, a rise of 3.2 percentage points on 2007, which is evidence of our airport's strengthened role as a transfer centre for South East Europe. By contrast, the number of passengers using low-cost carriers fell in 2008 by 26.1%. Low-cost airlines carried 93,472 passengers, which represented 5.6% of all public traffic passengers. This share is 2.9 percentage points down on the 2007 figure.

In 2008 Adria Airways, the Slovenian national airline, recorded a 15.2% growth in passenger numbers on the 2007 figure, to 1,246,638. This rate of increase exceeded the total recorded by public traffic, and was reflected in a growth in the number of passengers carried by Adria Airways as a percentage of all public traffic passengers. This share for 2008 amounts to 74.5 percent, which was 3.5 percentage points higher than in 2007.

The fall in the number of passengers carried by low-cost airlines was the result of the discontinuation of the Brussels route operated by WizzAir, which ceased flights in mid-January 2008, and by the reduction in the frequency of flights by easyJet in November and December 2008. The latter airline saw a 4.8% reduction in passengers in 2008 compared to 2007 (down to 86,969). The airport did, however, manage to attract a new airline, the low-cost Spanish carrier Clickair, which operated a regular route to Barcelona from July to mid-September, carrying 5,075 passengers in that period. It has also announced that it will operate flights during the 2009 summer season.

Turkish Airlines recorded a large growth in passenger numbers on its Istanbul service – up 24.4% on 2007, to 37,485. Air France also achieved growth, with its Paris service seeing an increase in passenger numbers of 10.7% (64,120), and JAT recorded an increase of 4.1% on its Belgrade route (17,939).

The Czech operator ČSA and the Hungarian operator Malév reported slightly lower aircraft occupancy in 2008, as well as a reduction in the number of aircraft movements. ČSA carried 35,987 passengers on its Prague route (a fall of 2.6%), while Malév saw a reduction of 2.8% on passengers flying to Budapest (down to 20,399).

The Belgian carrier Brussels Airlines, which began flights in November 2007, carried a total of 21,428 passengers on its Brussels service between January and September 2008 (when it ceased using its own aircraft under an agreement on joint flights signed with Adria Airways).

The Finnish airline Finnair, which had operated from our airport since April 2007, also ceased flights in October 2008. In 2008 it carried 26,010 passengers, compared with 25,730 in 2007. Finnair will resume flights from our airport in the 2009 summer season.

Scheduled flights from our airport to Podgorica are operated by Montenegro Airlines, and to Tel Aviv by Israir. Both airlines carried fewer passengers than in 2007 (down to 4,453 and 1,657 respectively).

After several years of growth in ***charter flights***, 2008 saw a 1.5% reduction in passenger numbers in 2008. Mediterranean destinations including the Greek islands and North African destinations such as Egypt and Tunisia do, however, remain among the most popular. In addition to charter flights carrying Slovenian tourists on holiday, our airport also welcomed a higher number of charter flights from Israel (Arkia Israeli Airlines, Sun D'Or) and the UK (First Choice Airways) in 2008. The two direct flights from Japan that took place in 2008 were an important achievement in efforts to attract charter flights; this was the result of the marketing of Slovenian tourist services on overseas markets and of efforts by our company, as well as by the Slovenian Tourist Board and the Slovenian tourist industry as a whole.

General aviation

The positive impact of Slovenia's Presidency of the European Union was reflected above all in general aviation, with 9,565 passengers being carried in 2008, an increase of 23.4% on 2007. The number of passengers using domestic airlines rose by 10.5% and the number using foreign airlines by 39.8%.

Cargo traffic

A total of 17,188 tonnes of cargo was handled in 2008 – a reduction of 20.9% on the same period the year before. The weight of cargo carried by truck (7,211 tonnes) fell by 6.3% in comparison with 2007, while there was a 5.4% increase in the weight of mail handled (859 tonnes).

A relatively significant fall was recorded in the weight of cargo carried by aircraft (down by 31.0% to 9,118 tonnes). This was primarily the result of discontinuation of the regular cargo route to Romania on which carriers carried cargo for UPS.

In addition to UPS, regular cargo carriage is provided by the express package operators TNT, FEDEX and DHL from our airport, which is mostly used as a hub for cargo to South East Europe. In 2008 we also handled a number of charter cargo flights; as in previous years, a significant amount of cargo was carried in passenger aircraft holds. Scheduled road cargo services were provided by Air France, Austrian Airlines and Lufthansa, and there were occasional services by Malév, Cargolux, CSA, Adria Airways and others.

Plans for 2009

Our expectations for 2009 are more cautious than in previous years, when we recorded satisfactory growth in traffic at our airport. The reduction in traffic experienced in the last months of 2008 is continuing into 2009.

According to the 2009 Financial Forecast published by the International Air Transport Association (IATA), a global fall can be expected this year in air traffic (3% in passengers and 5% in cargo). The total loss suffered by airlines is expected to reach EUR 2.8 billion.

Given that Slovenia's Presidency of the European Union in the first half of 2008 occasioned a substantial rise in passenger flows in tandem with global growth in the sector (there was a 21.6% increase in the number of passengers in this period compared to the same period in 2007), we expect a greater fall in traffic at our airport than that predicted globally by the IATA. Despite this, we will remain within the volumes achieved in 2007 (except as far as cargo weight is concerned). The figures on planned traffic for 2009 are given in more detail below:

- we will handle 1,493,337 passengers (10.7% fewer than in 2008),
- we are planning 46,525 aircraft movements (2.9% fewer than in 2008) and
- we will handle 15,625 tonnes of cargo (9.1% less than in 2008).

3.3 ANALYSIS OF BUSINESS OPERATIONS

3.3.1 Operating profit

Despite the economic situation, the company's performance in 2008 was good. The revenues generated were only very slightly below that planned – chiefly a reflection of the fall in traffic volume in the last quarter – but operating expenses were also below the planned level. The operating profit (EBIT) of EUR 13,108 thousand and the operating profit before interest, taxes and depreciation/amortisation (EBITDA) of EUR 19,249 thousand reached or exceeded the planned value and the value from 2007.

The net operating profit in 2008 of EUR 11,787 thousand from financial revenues from profit generated from the sale of capital investments in 2007 was lower than that recorded in 2007 (if we separate it from the income statement for 2007, net profit in 2008 was 5.1% up on the 2007 figure). The net profit in 2008 also remained below the planned level, since the plan also included the sale of financial investments (and consequently higher financial revenues). Because of the unfavourable economic conditions, these sales of financial investments were not realised (if we exclude these financial revenues from the plan, the net profit generated was 8.1% higher than planned).

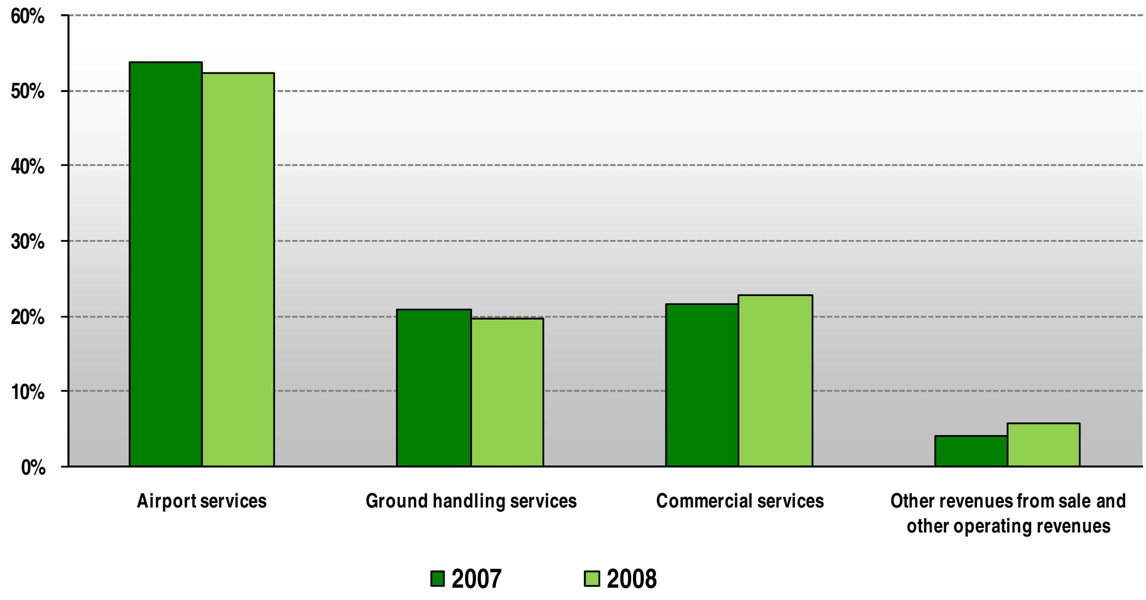
	Amount in thousands of euros	Index 08/07	Attainment of annual plan
Operating profit before depreciation and amortisation (EBITDA)	19,249	107.6	101.8
Operating profit (EBIT)	13,108	102.0	100.0
Pre-tax profit	14,947	69.1	67.9
Net profit *	11,787	70.6	68.8
*Net profit (excluding capital gains from sale of capital investments in 2007 and plan 2008)		105.1	108.1

Operating revenues

Operating revenues grew by 7.3% in 2008 and amounted to EUR 39,953 thousand (95.3% of the planned level). Just under 97%, or EUR 38,623 thousand, was made up of **revenues from sales** in 2008. This was an increase of 6.3% on the year before, and represented 94.4% of the planned level. Growth was achieved in all three of the most important groups of sales revenues: airport services, ground handling operations and commercial services.

Revenues from sales in the domestic market made up the bulk of sales revenues (72%); the remaining 28% was generated by the sale of services in foreign markets. The share of sales revenues on the domestic market increased by 3.1 percentage points in comparison with the year before; this was the result of a higher rate of growth in the number of passengers using the domestic airline in comparison with those using foreign airlines, as well as of the increase in revenues from the sale of commercial services on the domestic market.

Structure of operating revenues in 2007 and 2008



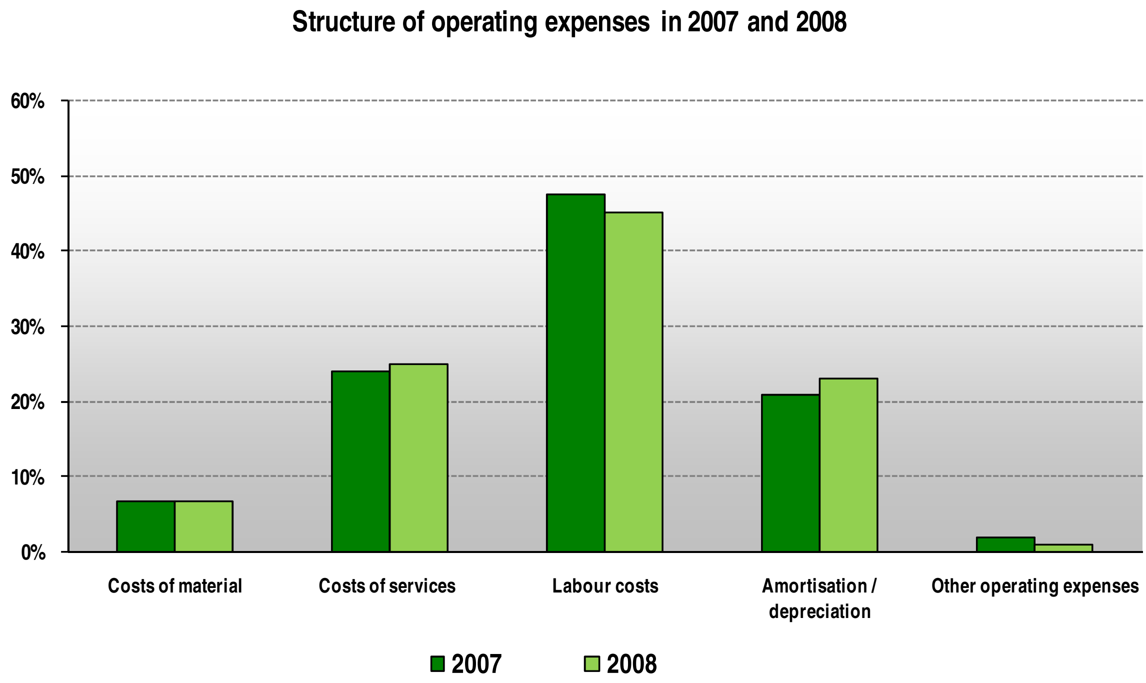
Revenues from airport services accounted for 52.3% of operating revenues; these services include services for aircraft landing, centralised infrastructure, passenger servicing, safety checks and security. These revenues amounted to EUR 20,899 thousand – a 4.7% rise on 2007.

Revenues from ground handling services amounted to EUR 7,782 thousand, which represented 19.5% of operating revenues (20.9% in 2007). This was a growth of 0.2% on 2007.

Within the breakdown of operating revenues, the share of revenues from commercial services was up 1.1 percentage points on the 2007 figure, reaching 22.6%, or EUR 9,015 thousand. These revenues grew by 12.9% in comparison with 2007, and were 2.6% higher than planned.

Operating expenses

There was an increase of 10.2% in operating expenses in 2008. However, this figure of EUR 26,845 thousand was 6.9% lower than planned. Growth was recorded in all the more important types of operating expenses, resulting from increased traffic volume and from the completion in 2007 of various operating facilities (depreciation/amortisation and operating expenses, i.e. cleaning, electricity and heating, all increased), and the associated changes to work technology (growth in labour costs).



Labour costs accounted for 45% of operating expenses, amounting to EUR 12,075 thousand in 2008. Labour costs were 4.7% higher than in 2007 as a result of the abovementioned changes in work technology, as well as of the overhauled systemisation and payment system in place from 1 June 2007. The measures introduced to control labour costs, primarily in the second half of 2008, led to realised labour costs being 7.1% lower than planned.

Costs of services stood at EUR 6,640 thousand – a rise of 14.7% on the year before, but 15.9% lower than planned. In comparison with 2007, there was a 21.8% increase in the amount of depreciation/amortisation calculated; this figure amounted to EUR 6,141 thousand, exceeding the planned level by 5.8%, which was the result of the completion in 2007 of the first phase of the new passenger terminal and the modernisation of other facilities and equipment necessary for the development of our airport.

The costs of materials used in 2008 amounted to EUR 1,746 thousand – a 10.2% rise on 2007.

Financing revenues and expenses

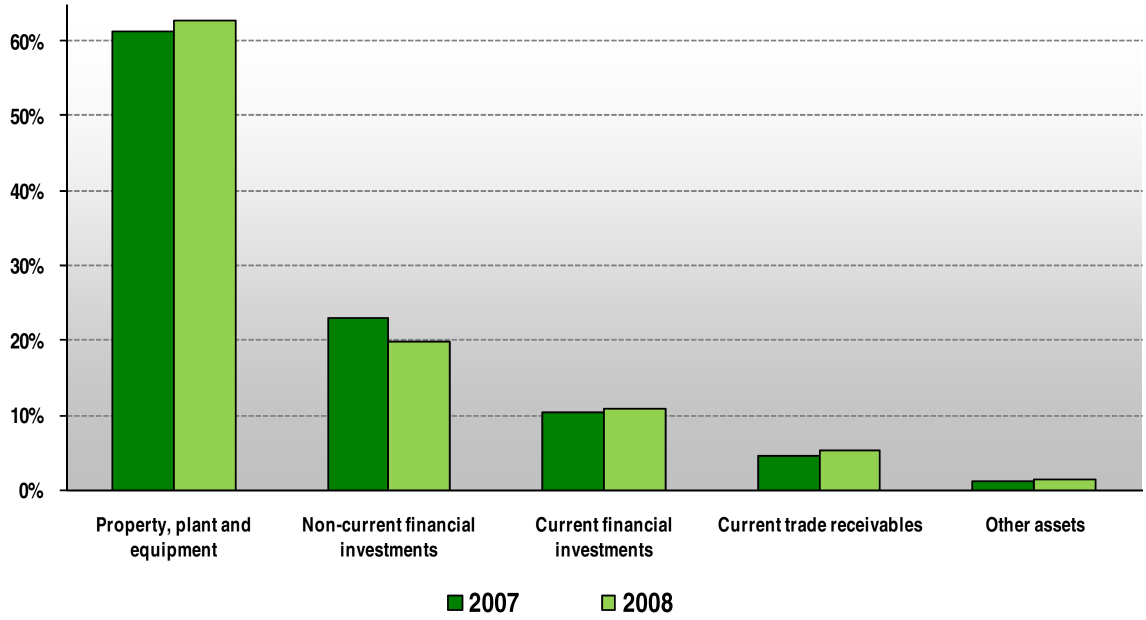
The majority of the financial revenues in 2008, which totalled EUR 1,884 thousand, came from revenues from interest (EUR 1,448 thousand) and revenues from dividends (EUR 395 thousand).

The financial revenues generated in 2008 constituted only 21.3% of the financial revenues generated in 2007, which was the result of high capital gains from the sale of financial investments in that year; they were also only one-fifth of the financial revenues for 2008. The sale of financial investments did feature in the plan for 2008 but, owing to the unfavourable economic conditions, they were not realised.

Financial expenses (EUR 44 thousand) were negligible and were 30.8% lower than in 2007.

3.3.2 Balance sheet

The balance sheet total as at 31 December 2008 was EUR 124,045 thousand, which was 0.7% higher than the total as at 31 December 2007. There was no substantial change in the structure of assets: non-current assets made up 83.3% of the total, among the most important of these being property, plant and equipment, 0which accounted for 62.6% of the balance sheet total. The share of current assets grew by 1.5 percentage points, accounting for 16.7% of the balance sheet total.



The 93.6% share of equity capital in capital and liabilities, which was an increase of 4.1 percentage points on the share as at 31 December 2007, ensures that the company enjoys a high level of financial security and provides a firm basis for the financing of planned future investments. The share of current operating liabilities fell by 2.6 percentage points, accounting for 3.2% of the balance sheet total. As at 31 December 2008, the company did not disclose liabilities from financing.

As at 31 December 2008, the capital/long-term asset coverage ratio was 1.124, which was an improvement on the ratio of 1.056 as at 31 December 2007.

3.3.3 Cash flows

	2008	2007	Index 08/07
Opening balance of cash and cash equivalents	216,249	595,630	36.3
Cash flows from operating activities	10,348,692	12,960,967	79.8
Cash flows from investment activities	-5,809,911	-9,087,668	63.9
Cash flows from financing activities	-4,256,234	-4,252,680	100.1
Closing balance of cash and cash equivalents	498,796	216,249	230.7

Cash flow generated from operations was lower than in 2007; however, it is still relatively high and reflects the company's good performance. The company is earmarking surplus cash for investments in airport development and expansion, and partly also for dividends to shareholders.

3.3.4 Performance indicators

Share of EBIT and EBITDA in operating revenues

	2008	2007	Index 08/07
EBITDA margin *	0.482	0.481	100.2
EBIT margin **	0.328	0.345	95.0

* EBITDA margin = (operating profit + amortisation and depreciation) / operating revenues

** EBIT margin = operating profit / operating revenues

The operating profit margin before interest, taxes and depreciation/amortisation (EBITDA) on operating revenues remained at the 2007 level. The relatively high value of this indicator (0.482) points to the good cash flow generated by the company in the performance of its lines of business.

The operating profit margin on operating revenues stands at 0.328 and points to relatively high profits generated in the performance of business activities. Indeed, with every euro of operating profit, we generate 32.8 cents of operating profit. In comparison with the previous year, the value of this indicator fell by 5%; nevertheless, it remains at a satisfactory level.

Operating efficiency indicators

Operating efficiency, measured by the ratio of operating revenues to operating expenses, was 2.6% lower than in 2007, while overall efficiency (the ratio of total revenues to total expenses) fell by 17.5%, primarily as a result of the high profits generated by the sale of capital investments in 2007.

The fact that growth cannot be avoided in certain areas of operating expenses also helped to occasion the falls in these two indicators seen in 2008 over the year before. The investment cycle begun in previous years, through which we are ensuring that capacities are sufficient for the realisation of our medium-term objectives, is reflected in the growing depreciation/amortisation and operating expenses (maintenance, cleaning, electricity and heating).

	2008	2007	Index 07/06
Operating efficiency ratio	1.488	1.527	97.4
Total efficiency ratio	1.556	1.885	82.5

Profitability indicators

In 2008 the profitability indicators that use the category of net operating profit were lower than in 2007. The reason for this does not lie in poor performance by the company but in the high financial revenues generated from the sale of financial investments in 2007.

Net return on equity capital and net return on assets

	2008	2007	Index 08/07
Net return on equity capital ratio*	0.110	0.175	62.7
Net return on assets ratio**	0.095	0.144	66.2

* Net return on equity capital ratio = net profit / average equity capital less net profit for the year

** Net return on assets ratio = (net profit + interest obtained) / average assets

Diluted net profit per share, including calculation details

	2008	2007	Index 08/07
Net profit (in euros)	11,787,493	16,701,642	70.6
Total number of shares issued	3,796,527	3,796,527	100.0
Diluted net profit per share (in euros) (net profit / total number of shares issued)	3.10	4.40	70.6

Book value of shares as at 31 December, including calculation details

	31. 12. 2008	31. 12. 2007	Index 08/07
Equity capital (in euros)	116,106,371	110,291,482	105.3
Total number of shares issued	3,796,527	3,796,527	100.0
Book value of shares (in euros) (equity capital / total number of shares issued)	30.58	29.05	105.3

3.3.5 Plans for 2009

As a result of the expected negative trends in traffic volume compared to 2008, a 9% fall in operating revenues is expected in 2009; operating expenses are expected to remain at the 2008 level. We can have an influence only on certain types of expenses by taking measures to reduce or limit them, although the growth in certain types of operating expenses is simply unavoidable. We must pay take into account the fact that the company has, for a number of years, been in the midst of an intensive investment cycle that aims to increase the capacity of the airport and secure its further development; this is reflected in the growing depreciation/amortisation and operating expenses (maintenance, cleaning, electricity and heating).

The planned operating profit before interest, taxes and depreciation/amortisation (EBITDA) is expected to be almost 20% down on the 2008 level, and there is expected to be a 31% fall in the EBIT value. Despite this, the EBITDA and EBIT margins (43 and 25% respectively) will remain relatively high.

3.4 EMPLOYEES

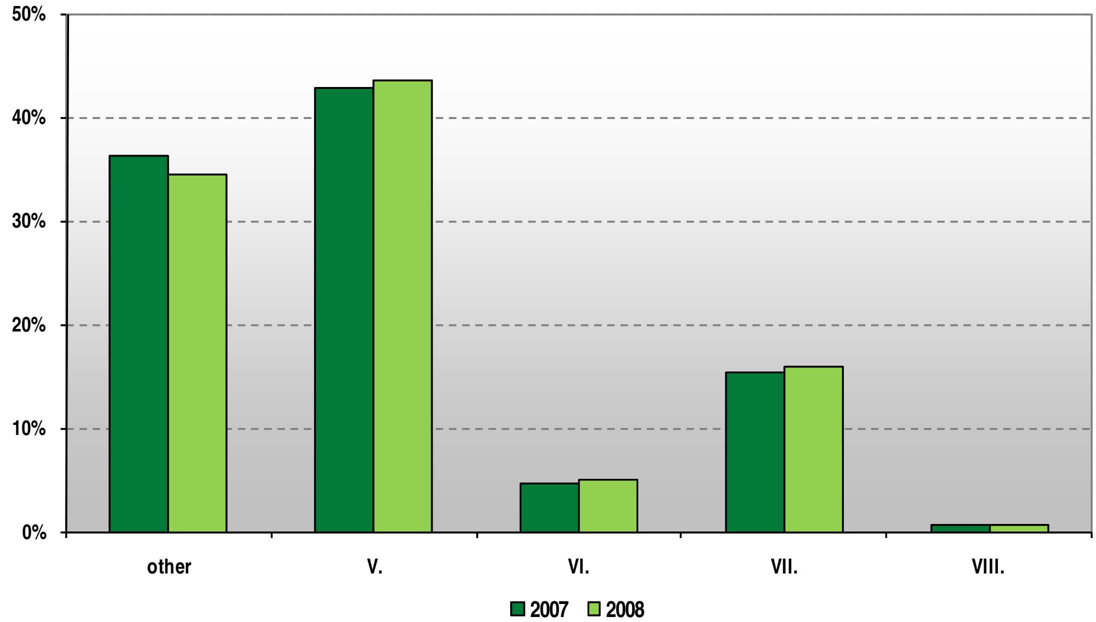
There was a slowdown in the growth in the number of employees – 1.1% in 2008 compared to 18.5% in 2007. As at 31 December 2008, the company employed 446 people, which were 5 more than as at 31 December 2007. Of this number, 327 were permanently employed and 119 temporarily employed.

We gave precedence in 2008 to more flexible forms of employment in order to increase the company's ability to respond to the change in traffic volume resulting from the seasonal nature of our business activities. Most of the new jobs created were for temporary positions. We worked with an employment agency to ensure that we had sufficient workers at times of increased need.

In comparison with 2007, the rate of fluctuation increased by 0.8 percentage points to 4.9%, which was the result of reduced recruitment and the termination of employment (in 2008 there were 23 such terminations, which included ten voluntary terminations of permanent contracts and seven terminations following the expiry of temporary contracts).

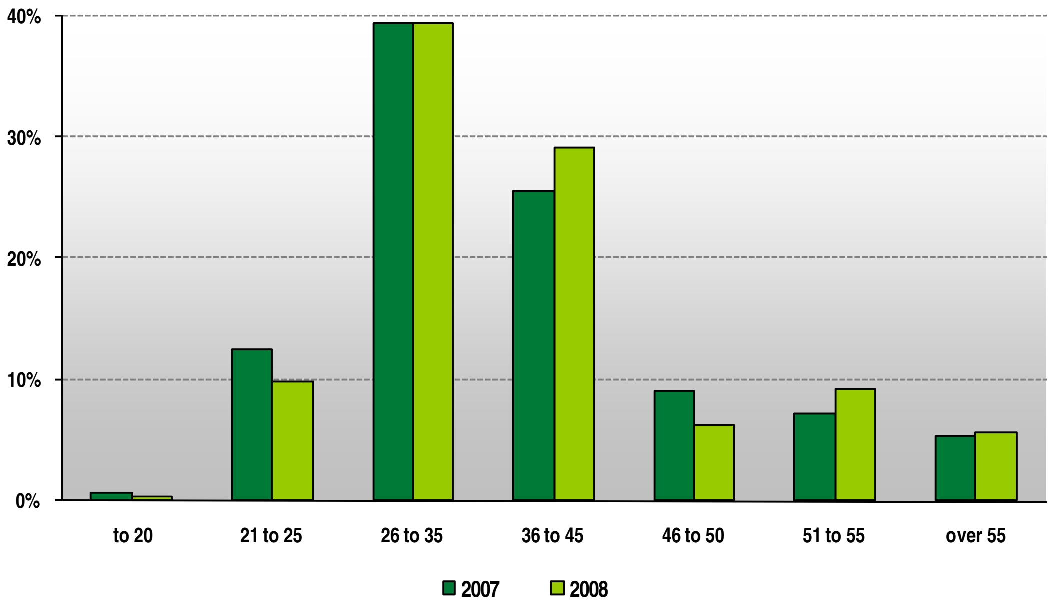
Breakdown of employee by education and age

Educational structure of employees in 2007 and 2008



Well-educated and well-trained staff is essential for our company if the requirements of aviation technology are to be met and the increasingly complex work processes managed adequately. We have for several years been making systematic efforts to improve the education structure by replacing less-qualified staff with those with higher levels of education. We encourage existing employees to undertake off-the-job education and training. In 2008 eight employees completed this form of education and training and therefore attained a higher education level. Our efforts are reflected in the increase in the share of employees with secondary-school, further and higher education at the expense of those with lower levels of education.

Age structure of employees in 2007 and 2008



Despite the fact that the average age rose by six months in 2008 (as a result of reduced recruitment), it still remains at a healthy 37.2 years. The share of employees within the 26–45 age group (68.6% of all employees) grew by 3.5 percentage points in 2008. This can be attributed chiefly to the increased share of employees in the 41–45 age group. Employees within the 46-and-over age group make up 21.1% of all employees; employees under 25 make up 10.3% of all employees.

Education and training

Training centre

The education centre established in 2008 represents an important step forward, and one that had been planned for several years. The centre brings together education planning, the organisation of in-house training and the comprehensive development of promising staff, and ensures appropriate training at the right time under the legally required programmes and in accordance with the requirements of individual airlines. The activities of the education centre are also oriented towards increasing the exchange and transfer of knowledge between organisational units within the company.

External forms of education and training

Our commitment to the idea that knowledge is one of the most important values within the company is further proved by the continual increase in expenditure on external forms of employee education and training. In 2008 we therefore set aside EUR 122 thousand for education and training outside the company, which was an increase of 2.9% on the year before and represented a total of EUR 277 per employee. We focused on improving communication and management skills, which form part of 10% of all external training. Professional education and training accounted for over three-quarters; the remainder was made up of education and training in IT and computer studies, foreign languages, and health and safety at work.

In-house training

In 2008 we continued to provide in-house training, which is now organised by the education centre. This training primarily covers health and safety at work, safe and correct handling of work resources, order and safety at the airport and movement across manoeuvring areas, cargo and passenger flow technology, and other relevant fields. These were conducted by our own employee instructors, who are certified by the Ministry of Transport or other internationally recognised bodies, and who are constantly engaged in increasing their knowledge at external professional education and training courses at foreign airports.

First successes in the process to register the flying school

In 2008 we made a start on procedures for the registration of a flying school with the Ministry of Transport, with the aim of formalising our internal educational components. Our endeavours bore their first fruits in January 2009, when we received a licence from the Ministry of Transport to carry out training for those wishing to obtain a licence for fire safety work on aircraft and at airports, and a licence to work on aircraft reception and despatch.

In accordance with international standards, we also submitted to the ministry for its approval a programme for the education and training of employees in the handling of hazardous substances. After acquisition of the licence, which is expected in 2009, we will be able to carry out training both within and outside the company.

Young people – our potential future employees

In cooperation with secondary-school and higher-education institutions, we are making efforts to acquaint pupils and students with the career opportunities available at the airport. We allow them to undertake practical work experience, as well as offering guidance to those preparing seminar papers and dissertations.

In 2008 pupils and students undertook a total of 2,375 hours of practical education and training at the company.

Communication with staff

We continued to issue the *Aerodromske novičke* electronic bulletin and to hold our long-established meetings with and events for staff (winter and summer sports and games, New Year's reception for staff). Members of the Management Board continued to hold working meetings with employees. We organised a pre-Christmas event for the children of airport staff, along with a trip to Ljubljana Zoo. We organised 'teambuilding' exercises for management staff at which we focused together on our common issues and challenges and sought out feasible solutions. We devoted more attention to the regular weekly meetings ('collegium') both at the senior management level and within individual offices and sections.

In 2008 we completed an extensive project for the introduction of an intranet site, in which the representatives of all organisational units took part. The intranet site provides users with an important source of information and documentation. We also see it as a means of improving the organisational culture and increasing the sense of affiliation with the company.

Health and social security

In accordance with a risk assessment, we carry out regular preventive health and other checks prior to employment; these were taken by 218 employees in 2008. For the eighth year running, and with the aim of reducing rates of illness, particularly during the winter months, we organised a series of flu vaccinations for employees.

We also provide safe working conditions by carrying out regular inspections of working equipment and the working environment. External institutions carried out inspections of the working environment at 16 control points, and 62 inspections of more complex equipment. Inspections of less complex equipment were carried out internally.

Since 2001 the number of accidents at work has ranged between four and nine a year. There were six accidents at work in 2008.

Absence from work, expressed in hours per employee, fell by 17% in comparison with 2007, partly also on account of a reduction in absence due to parental leave.

Our efforts are also directed towards greater social security for employees. The company covers all employees for half of the premium for accidents at work and outside work; all employees are also included in supplementary collective pension insurance, for which the company allocates funds amounting to 4% of employees' gross wages. The company has proved its commitment to helping staff in extreme difficulty by paying out solidarity assistance.

More flexibility in 2009

Given the forecasts being made for the air industry in 2009, we are not planning to increase staff numbers; instead we will primarily direct our activities towards adjusting the organisation of work to the volume of traffic, with an emphasis on new, flexible forms of employment. We are therefore planning recruitment in cooperation with employers that have, unlike us, a need for greater numbers of staff during the winter months. This will help us to make significant reductions in training and induction costs, while enabling employees to enjoy full employment and reducing the risk of changing employer on each occasion.

3.5 INVESTMENTS

3.5.1 2008

The investments made in 2008, which totalled EUR 10,964 thousand, were in line with the company's central strategic objective up to 2015, the valid spatial planning act and the company's business plan for 2008. We set aside EUR 8,363 thousand for the purchase of land and building construction, and EUR 2,601 thousand for IT and equipment required for the company's line of business.

The investments made were lower than planned (EUR 28,656 thousand), chiefly as a result of delays in construction. We planned investments in the purchase of land and building construction totalling EUR 25,539 thousand; 32.7% of this planned amount was realised (EUR 8,363 thousand). This is primarily the result of factors over which the company has only limited control. Procedures for acquiring a building right took much longer than originally anticipated. Owing to this, we are behind schedule in our expansion of the main airport apron, the multi-storey car park in the service complex, the road to the service complex and the garage for equipment used by the ground operations department; as a consequence we have put back commencement of the second phase of the new passenger terminal. Owing to the fact that we have not reached agreement with the local community and other landowners on the construction and method of financing of this infrastructure, we are also behind schedule in the construction of external connections to utilities infrastructure.

Most of the investments unrealised in 2008 in the area of building construction will be carried out in 2009.

Land purchase and building construction

By purchasing land to a total value of EUR 2,624 thousand, we are expanding the area of the airport, in which we are planning the long-term development of its ancillary activities. This involves the purchase of individual plots of land within complexes that have already been planned and laid out and the purchase of land alongside the complex that is of interest to the company and is being leased to DHL.

The largest facility constructed in 2008 is the 25,000 m² car park on the north side of the airport. It cost EUR 2,039 thousand to build and can house up to 950 vehicles. This will replace the existing outside car park, which will be demolished to make way for the new passenger terminal.

With funds totalling EUR 676 thousand earmarked for the second phase of the new T2 passenger terminal, we have secured completion of the project documentation, which will also be used to select the works contractor.

Funds totalling EUR 402 thousand were used in 2008 for expansion of the main airport apron; this was primarily for the production of project technical and tender documentation. Owing to the aforementioned problems regarding acquisition of the building right, construction work was shifted to 2009. The procedure for selection of a building works contractor was also delayed on account of an appeal, which was settled in the airport's favour by the national audit committee.

We built a service road for the transport of aviation fuel from the storage facility to aircraft on the airport aprons (EUR 221 thousand). This considerably shortened the transport route and increased road safety in the service area of the airport, which is increasingly open to public users.

Among the other investment works of lesser value, we should mention the smaller-scale conversion works in the existing passenger terminal required for the introduction of the Schengen border regime (the separation of domestic from international traffic, and the renovation and expansion of the area for the lost property office and the ticketing area).

The project documentation prepared in 2008 for future development relates to the production of project and tender documentation for the reconstruction of the runway, the design concept of the new cargo terminal and logistics centre, and the design project for utilities and energy infrastructure for the business and logistics zone. Since the Slovenian government has still not drafted the proposed National Civil Aviation Development Programme, which should be adopted by the National Assembly as required under the Aviation Act, the Coordinated Airport Development Programme has also not yet been drawn up. We have therefore produced the Programmed Development of Jože Pučnik Airport, which the Aviation Act provides for as an interim document.

Information technology

In order to support the company's basic line of business, we invested EUR 386 thousand in hardware and software in 2008 (hardware EUR 214 thousand, software EUR 172 thousand).

The most important hardware-related activity in 2008 was the modernisation of hardware for wireless operation in the air cargo service. Among software investments, the most important were the purchase of licensed software for SQL and activities relating to continuation of the development of applied software for the Flight Information Display System (FIDS), the geographical information system and the information system for calculation of services performed. The new intranet site, which we developed throughout the year and put into service in December, is an important acquisition that will improve communication with employees and keep them better informed.

Other airport equipment

In 2008 we acquired equipment of a total value of EUR 2,215 thousand for the modernisation of technological processes for supplying services to passengers, aircraft and cargo, as well as for ensuring security in accordance with the prescribed legal requirements.

The new de-icing vehicle (EUR 654 thousand) enabled us to remove the bottleneck in the provision of services to aircraft in harsher weather conditions. After payment of the second instalment of the purchase price (EUR 300 thousand), the first instalment of EUR 200 thousand having been paid in 2007, we acquired a new Rosenbauer fire fighting vehicle. We replaced two end-of-life sewage removal vehicles with a new vehicle of the same type (EUR 151 thousand), and we also took delivery of a new towing vehicle for smaller aircraft (EUR 120 thousand). Given that there is a growing trend towards the use of aircraft palettes and containers on passenger and cargo aircraft, we have purchased a smaller-scale lifting platform to meet handling needs (EUR 158 thousand). We have also improved the services we provide to aircraft and cargo handlers by purchasing two new small electric belts (total value EUR 137 thousand) and two electric vehicles for cargo and baggage (EUR 92 thousand). We also acquired new advertising boards (EUR 94 thousand).

3.5.2 Plans for 2009

Despite the less-than-encouraging forecasts for 2009, we will continue to pursue our medium-term plan in investments in land purchase, building construction, information technology and equipment for the company's activity. The total value of planned investments in 2009 is EUR 31,593 thousand.

We will direct most of these funds towards to manoeuvring areas. We will expand the main airport apron by 40,000 m², and thereby acquire five additional aircraft parking spaces. We will construct two connecting lanes from the apron to the parallel taxiway and an emergency lane to the runway to link the existing manoeuvring areas. Alongside the apron there will also be a fuel pump for servicing airport vehicles, and a facility for the garaging of technical aircraft supply equipment. Over two years we will gradually, in three phases, reconstruct the existing runway; this will include refurbishment of the asphalt surface and the illuminated navigational system.

The other important part of funds will be directed to the construction of the second phase of the new passenger terminal. We are planning procedures to select contractors for construction, finishing and installation works and equipment supply, with the aim of commencing construction of the building, which will have a total surface area of 32,000 m² and capacity to handle 800 departing passengers an hour (and the same number of arriving passengers), by the end of 2009 and completing it in 2011.

In parallel with this, a number of smaller conversion operations are necessary in the existing passenger terminal; these will enable us to continue to provide services until the second phase of the new terminal is ready for operation. As part of these conversion operations, we will also refurbish the premises of the security operations centre. We will continue to upgrade the existing technical security systems and establish a new system of digital radio links between operative services. We are also planning the construction of a car park with capacity for 640 vehicles in the airport's service complex. It will be linked, via a new service road (construction of which is also planned for this year), to both the service entrance to the airport area and the passenger terminal.

We will continue to develop the business and logistics zone and, as part of this, compile a project to acquire a construction permit for utilities and energy infrastructure for this area and architectural commercial designs for construction of the complex. We will continue to purchase individual areas of land so as to integrate the airport area into a functional whole. In collaboration with the Ministry of Transport, we will attempt to relocate the main road.

In 2009 we will, in cooperation with an external contractual partner, commence activities to produce a Master Plan for the airport area. This document will constitute a general solution to the long-term development of the entire airport complex up to 2040. Taking account of the relevant legislation, it will address the development of the land and public (passenger) areas of the airport, the airport infrastructure and associated facilities, as well as links to existing transport infrastructure, which will include the construction of a rail link between the airport and Ljubljana. Fifty per cent of the funding for the project will be provided by the European Union.

3.6 QUALITY AND SAFETY

Ensuring a high level of safety and quality in the implementation of our services is an indispensable precondition for the long-term success of the company's operations, since the security and safety of passengers and aircraft movements are of key importance if existing business partners are to be retained and new ones acquired.

Quality standards in the implementation of services and security measures

As an infrastructural facility, the airport is subject to ICAO (International Civil Aviation Organisation) standards and recommendations, which establish the foundations for infrastructure, work organisation, operations and oversight. Annex 14 (Aerodromes) lays down in detail the planning, construction and maintenance of the entire airport infrastructure, Annex 9 (Facilitation) defines the capacities and procedures for the carriage of passengers, baggage and cargo by air, Annex 16 (Environmental) sets out the environmental protection requirements, and Annex 17 (Security) the vital security requirements.

Airport safety standards are also set out by the European Civil Aviation Conference (ECAC), of which the Joint Aviation Authorities (JAA) is an associated body. The JAA issues the Joint Aviation Requirements (JAR), while air carriers are responsible for their consistent implementation.

Ground handling services standards are laid down by the International Air Transport Association (IATA), which publishes an updated version of the Airport Handling Manual (AHM) every year. This document contains the basic guidelines for overall ground handling services supplied to aircraft.

External oversight of airport safety and quality of service, with reference to observance of the abovementioned standards, is carried out by the organisations that set standards for airports, ground handling services and safety, as well as by air carriers themselves. The latter monitor the quality of ground handling services for aircraft, passengers and cargo with reference to the standards adopted by their umbrella organisation the IATA and through the Civil Aviation Directorate. We also carry out regular professional internal monitoring and control.

Safety on the airport apron

As part of our activities to provide for safe implementation of our services, we pay particular attention to ensuring safety on the airport apron. We continued the regular practice of documenting our own safety inspections, and we will actively take part at regular meetings of the Airport Safety Team, in which Adria Airways, Air Traffic Control of Slovenia and the Aviation Directorate are also involved.

In 2008 we established a system of compulsory and voluntary forms of reporting by staff on events that could constitute a specific level of risk to air traffic safety at the airport and in the air. In this way we ensured the systematic acquisition of information that forms an additional basis for assessment of existing measures and the introduction of new ones, with the aim of increasing safety on the airport apron.

Fire safety

In the area of fire safety we implement various safety measures for the needs of the company and, by agreement, for the needs of other companies at the airport.

We organised 20 internal training sessions as part of the systematic training of employees in fire safety. A total of 453 employees gained or upgraded theoretical and practical knowledge of fire safety. An evacuation drill was carried out in the passenger terminal in June. We also carried out the same training for employees of Adria Airways, Linxair and G4.

In 2008 we issued 21 permits for the implementation of work involving a risk of fire during maintenance and new construction work. When carrying out this work, we provided a fire guard or ensured safe work by means of other measures. Our fire fighters were on stand-by alert 24 times during landings by aircraft with technical problems, they intervened four times in minor aircraft accidents and 33 times to clear up spills of kerosene, oil or other hazardous substances on the airport apron or on access routes. They also carried out service inspections of 1,030 fire extinguishers at the airport, and responded to approx. 400 fire alarms activated via automatic fire alarm devices.

Protection against bird strikes

The company have introduced active and passive measures to protect aircraft from bird strikes. The passive measures chiefly include the management or regulation of bird habitats at and around the airport. This is a fairly complex procedure and the company, as the manager of the airport, can only take measures within the boundary fences of the airport. As part of passive measures, we carry our regular checks of the runway and keep daily records of these checks. Field crops that could attract birds may not be grown in the area of the airport, and the grass is cut to a specific length.

Despite this, there are still quite a few factors in the direct vicinity of the airport area that attract birds; for this reason, we also rely to a considerable extent on the use of active measures. We use pyrotechnical resources to drive off birds; this is by far the most widespread method. Gas cannons are also deployed during the summer months. In order to ensure the safety of air traffic, as well as that of wild birds, we also use falcons, in cooperation with the Slovenian Falconry Association, as an additional measure.

Our anti-bird strike operations deploy effective but ecologically acceptable methods of driving off birds from the airport area. Our set of preventive measures includes, as a last resort, a huntsman. His services have not, up to now, been required.

3.7 COMMUNICATIONS

We abide by the principle of honest, transparent and non-discriminatory communication. We adapt our communications activities to specific target groups, the most important of which are the media, airport users, investors, employees and the local community.

In 2008 we issued 13% more press releases than in 2007, which demonstrates the growth in media interest in events connected with the company. We prepared and issued 22 press releases, published regular new items on the www.lju-airport.si website, and responded to media enquiries promptly and fully.

We provided up-to-date information to investors in a non-discriminatory and honest manner through the Ljubljana Stock Exchange SEO-net information system and in a special section for investors on the company website.

In 2008 we organised two events for our business partners. In January we invited them to attend a social reception and theatre performance, and in the summer we organised, in collaboration with our largest business partner, Adria Airways, an international business and social event with a golf tournament for representatives of European airports and airlines; the main purpose of the event was to allow participants to get to know each other and exchange professional experiences.

We produced a marketing and advertising campaign to present our passengers with details of the new online check-in system and to request that they arrive at the airport in plenty of time for their flight. Our advertising appeared in the print media, on advertising hoardings, online and on the radio.

We devoted a great deal of time and effort last year to communicating with our internal public. We prepared and put into operation an intranet site and continued the workshops and 'teambuilding' activities for employees begun in 2007. Communication with the local environment was more intensive than in 2007. We provide more details on communication with employees and the local community in the sections on staff (3.4) and social responsibility (3.9).

3.8 RISK MANAGEMENT

The risk management process encompasses the identification and monitoring of individual types of risk and the establishment of an effective risk control system. We divide risks into business and financial risks.

3.8.1 Business risks

Environment

General economic conditions

The current economic conditions, which began to arise in the second half of 2008, will have an effect on operations in 2009 – those of our company as well as those of our business partners and the business environment as a whole. We are responding to the fall in general demand and business activities with ongoing planning and measures towards rationalisation of business processes and the optimisation of costs, as well as with more intensive marketing activities to preserve traffic volumes and thus realise our operating revenues plans. These activities will allow us to some extent mitigate the unfavourable impact of the current economic situation on the company, although we will in no way be able to avoid it completely. This is one of the risks connected with the environment in which we operate – an environment on which we can have only a very limited effect, apart from taking measures to adapt to the situation.

European Union aviation legislation

In accordance with the provisions of European Union legislation, the company's pricing policy must ensure non-discrimination between partners, transparency and a link between prices and costs. In line with the legislation, and in view of the expected passenger growth at our airport, in the near future we will have to budget for the involvement of one more ground handling operations provider.

Trends in the price of aviation fuel

Trends in the price of aviation fuel will also have a significant effect on the operations and decisions of our existing and potential business partners. Here we have in mind the fluctuations in the price of kerosene (which occurred in 2008 as a result of events on oil markets), as well as the high price charged for it at our airport in comparison with prices at other European airports (on which our company has no direct influence). Both these factors represent an obstacle to acquiring new carriers or expanding the network of current carriers.

With the fall in the price of kerosene in the second half of 2008, conditions for air carriers became more favourable; in addition, we are attempting, through an agreement with the supplier, to ensure that our airport has a more competitive position in this regard.

Landing fees

Landing fees, which were introduced by the government in 2007, also affect the operation of our company. These are relatively high compared to those in force in other European countries, which has a negative impact on the competitive position of our airport and also makes it more difficult to expand the activities of existing and acquire new carriers.

Security

We have identified terrorism as the most serious risk in the area of ensuring security. As at other airports, a large proportion of our operations are subject to stringent security demands and measures.

The management of terrorism risk and of other security-related risks is ensured through good planning, sound organisation and cooperation with other institutions. Staff is also being provided with continual education and training, and in this way we are increasing the likelihood of them responding in the right way in emergencies. We have produced our own threat assessment in which we define potential threats and the necessary measures to reduce or eliminate such threats. This assessment formed the basis of the management plan for emergency security situations, with more than 30 possible scenarios envisaged, involving planned response in potential emergency situations.

Preventive and additional security measures at the airport are frequently determined by national threat, so we liaise with the relevant national authorities. The security assessments produced by the competent state services have a direct influence both on the extent and intensity of security measures at our airport.

Managing the market and market share

Competition in the air industry is increasing, both between carriers and between airports. Our company operates in a fiercely competitive market, with six sizeable international airports operating within a 250-km radius which are able to offer our target service users attractive and competitively priced connections, as well as all the usual ancillary services.

Our activities are directed towards a search for new partners and the retention of trade and successful cooperation with existing business partners. In recent years we have, by strengthening our marketing activities, attracted quite a few new airlines to the airport; this represents an important shift towards the diversification of customers and a reduction in dependence on the dominant domestic carrier.

We are also strengthening our competitive position by the intensive marketing of ancillary commercial services, where we face competition not only from neighbouring airlines but also from business and industrial zones and a number of other companies in Slovenia. We believe that the commercial field offers us important opportunities for further development and a growth in operating revenues; in recent years we have therefore purchased land in the vicinity of the airport to provide space for the construction of commercial buildings. The business and logistics zone (‘Airport City’), whose gradual construction we are planning in the coming years, will be given over to storage, tourist, service, small-scale manufacturing and other activities.

Quality of operations

We manage the quality of operations and the risk of errors in providing services through consistent observance of the standards both for the airport as an infrastructural facility (standards of the ICAO – International Civil Aviation Organisation) and for ground handling operations (standards of the International Air Transport Association, IATA). We also have regular internal self-audits.

Meanwhile the provision of constantly high-quality ground handling operation services for passengers and cargo is also very closely monitored at regular intervals by the carriers themselves. The feedback from carriers on checks carried out in 2008 has been favourable and confirms the quality of our services.

Fire safety and environmental protection

We assess the risk of fire or ecological disaster (spills of aviation and other fuels, lubricants and oils), primarily in connection with a possible aircraft accident, as moderate, and we control this risk through consistent fulfilment of the requirements of the law in this area. Our own professional fire fighting unit provides non-stop coverage, with professional fire fighters undergoing continual external and internal education and training. We possess state-of-the-art fire fighting equipment, plus equipment for spills, for sealing pipes and outflows, and biodegrading agents for spilled substances. Waste substances collected from hydrocarbon spills are handed over to our contractual partner, who ensures environmentally friendly handling of them.

The risk related to the handling of hazardous substances air cargo is controlled by means of consistent adherence to the relevant legislation. We provide continual education and training for employees that work in these areas, testing their knowledge of the handling of hazardous substances on a regular basis.

Staff

Adjustment of the number of employees to traffic volume, which is a consequence of the seasonal nature of the company's activity, is particularly necessary in the traffic-technical division. We manage this risk through fixed-term employment and through cooperation with the employment agency and with employers that, unlike us, require a greater number of staff during the winter months.

Technological development, and the knowledge and experience it requires, demands that our employees undergo continual training and education. Owing to the specificity of the knowledge required, we give priority to internal forms of training; we are faced with the problem of a deficit in several airport-related professions for which the existing school system does not provide education.

Motivation and sense of corporate affiliation among staff are ensured through appropriate internal communications, care for their health and social security, measurements of the organisational climate, and the acquisition of feedback from employees (for more on this, see 3.4).

Information technology

The continuously increasing IT support of business operations is inevitably linked to risk, and here we have identified as most significant the risk of interruptions or breakdowns in the operation of hardware, the local network, communication links and system and application software, as well as the risk associated with system security.

We control this risk through activities focused on regular monitoring of risk and immediate response to changes. We have an established system of uninterrupted IT operation (duplication of the most vital parts of the IT and communications technologies, dual access to online services via two different providers, doubling-up of communications routes) and we also have security measures in place for the protection of information systems from unauthorised encroachments.

Insurance

The following insurance instruments make an important contribution to managing risk and mitigating the consequences of damage to the value of company property:

- fire liability insurance and the insurance of computers;
- general liability insurance;
- automobile liability insurance and casco;
- anti-theft insurance for works of art and for the receipt and transfer of cash.

3.8.2 Financial risks

Counterparty default risk

The structure of buyers of our services has a positive effect on our counterparty default risk since we mainly do business with well-known customers whose reliability has been verified. Our cooperation with them is long-term and regulated by contract, and we constantly monitor their credit rating. With a smaller proportion of customers who appear occasionally or even once only, or with partners that come from less reliable business environments, we verify their creditworthiness and demand advance payments, other appropriate payment insurance instruments or immediate payment.

We are constantly engaged in monitoring the age structure of receivables. To maintain payment discipline, we regularly conduct recovery procedures, such as the issuing of reminder notices and the charging of penalty interest. In extreme cases we resort to the court-ordered collection of receivables; pursuant to the Aviation Act, we are also entitled to seize aircraft.

The more difficult economic conditions, particularly in the area of liquidity, are currently reflected in the slight deterioration in our customers' ability to pay. Within the age structure of receivables, there has been a rise in the amount of receivables for which up to 90 days have passed since the due payment date, while the total level of receivable for which more than 90 days have passed remains negligible. The financing of the increased amount of receivables does give rise to certain opportunity costs; however, our assessment is that these are insignificant, given the general economic situation. The insignificant amounts of operating expenses from the impairment of receivables from operations in past years demonstrate that past management of credit risk in respect of receivables from customers was adequate.

The counterparty default risk is also present in relation to cooperation with our suppliers. Advances provided to suppliers and contractors of capital works and to equipment suppliers are secured through bank guarantees. We ensure the good performance of capital works by retaining payment of part of the contractual value up until the successful handover or through bank guarantees; we also require these for the elimination of possible faults within the warranty period.

Liquidity risk

We manage liquidity risk by the prompt planning of cash flow, coordination of the due dates for receivables and liabilities, and a careful investment policy.

Despite the intensive investment that has taken place for several years, the company has no problems in respect of short-term ability to pay and it settles its mature liabilities by the due dates. Both current operations and investments were financed by the company's own sources; it therefore has no liabilities from financing and, consequently, is not exposed to the risk of a rise in the cost of external sources of financing. Despite the current difficult conditions applying to the acquisition of bank loans, good and stable operations and a positive structure of liabilities to sources of funds, with a predominance of share capital, ensure that the company's borrowing opportunities remain strong.

A certain portion of the surplus cash generated in the last few years is invested in banks in the form of various time deposits. These funds constitute high-quality liquidity in case of the absence of the planned cash inflows.

The profitable operations of the company have a positive effect on its long-term ability to pay; however, the company's own sources will in no way be sufficient to finance the investments planned for the coming years. In the next few years, external borrowing will be necessary, but it is our assessment that the company's ability to pay is not in question, either in the long- or short-term.

Price risk

Interest rate risk

We estimate the risk of a change to market interest rates to be low. The company does not have any interest-bearing liabilities and our financial investments are adequately dispersed; the returns of only a small portion of investments are therefore linked to changeable interest rates.

An analysis of sensitivity was also drawn up to quantify the interest rate risk (for more on this, see 5.1.4 of the financial report (interest rate risk)).

Market risk

Our investment policy focuses on secure and quality investments with long-term returns. We also ensure an adequate spread by permitting banks to manage part of our securities. We do not engage in speculative trading, the sole purpose of which would be to achieve short-term returns.

Foreign exchange risk

The company is not exposed to foreign exchange risk, since only a negligible portion of receivables and liabilities from operations is denominated in foreign currency.

3.9 SUSTAINABLE DEVELOPMENT

We rely on support from our immediate and the wider environment for our current and future operations. We are aware of this, which is why we pay careful and planned attention to nature and the wider environment. We therefore direct our knowledge, time and funds to the local environment as well as to activities at the national level.

We are striving to provide noise protection, to handle energy products with great care, and to work for a cleaner environment. We have a sense of responsibility for the development of the social and cultural environment, so we support social activities, culture and sport. We are also active in the field of health, and contribute to the development of knowledge and education.

3.9.1 We contribute to the development of the local community in which we operate, as well as to the development of our wider environment

The planned expansion of the airport is a unique opportunity for the narrower local community, since a business centre with a diverse range of activities will arise at the airport site. The airport is therefore, both from the infrastructural and employment aspects, of exceptional importance for the region in which it is located and for the country as a whole. Every million air passengers directly provides an average of 950 jobs, and indirectly 2,950 at the national level, 2,000 at the regional level and 1,425 at the sub-regional.

Around 2,000 people are currently employed at the airport site as a whole; the planned expansion will gradually increase this number. We estimate that the business and logistics centre (‘Airport City’), whose construction is planned for the coming years, should on its own provide a further 3,000 jobs.

3.9.2 Environmental measures

We also demonstrate our responsibility in our approach to our environment by ongoing activities such as efficient use of energy, pollution prevention and constant awareness-raising among and education of employees, as well by observing environmental legislation in the planning of our future development and investment activities.

Clean aquifers

Continuous operation of the biological treatment plant ensures the cleanliness of the wastewater produced by the airport. We keep appropriate records of this which show daily inspections, observations and interventions made.

The water that flows into the aquifer from the airport complex, along with faecal matter from the complex and from aircraft and waste liquids from the de-icing of aircraft, are all treated in the biological treatment plant. The treatment procedures generate about 70 tonnes of sludge annually; this is transported away and further processed by a municipal service company.

In addition to the treatment of wastewater, cleanliness of the aquifer is also ensured by means of 56 oil and fat separators installed on and alongside asphalt surfaces. Purified rainwater flows directly from them into the aquifer. We carry out regular inspections, cleaning and maintenance of the separators, and keep appropriate records of inspections to ensure the traceability of work performed.

External monitoring of the quality of wastewater treated in the biological treatment plant and the oil and fat separators is carried out by Kranj Institute of Healthcare, which has assessed our results in this area as above average for several years now.

In the next two to three years, we plan to connect our sewage system to the public sewage network, which means that treatment of the airport's wastewater will be carried out at the treatment plant in Domžale. This will provide us with a long-term solution to the issue of the limited capacity of our biological treatment plant. This does not, as yet, present a problem, but the planned development of the airport, which will lead to greater traffic volumes and thus to an increase in quantities of wastewater, will mean that existing capacities will no longer suffice.

Energy saving

Optimal heating and air-conditioning of the airport buildings is ensured by means of a central control system. In 2008 we thoroughly cleaned the furnaces and chimneys three times and provided for the regular servicing and electronic calibration of the oil and gas burners, thus reducing air pollution from gases from heating devices for a given heat source.

The consumption of fuel for heating increased slightly in 2008 as a result of the increase in the airport's surface area. For several years now we have been reducing the amount of drinking water consumed. In 2008 the figure was 25,390 cubic metres, or a drop of 5% on the year before.

In order to reduce fuel consumption and harmful emissions into the environment, we plan to switch to heating with natural gas in the near future. Upon completion of the new passenger terminal, we are planning to connect the airport complex to natural gas and replace the heating devices accordingly, which will represent a major step in our environmental efforts.

We are also contributing to the reduction of harmful emissions into the atmosphere through the regular servicing of total of 165 vehicles, and through the gradual replacement of old cooling devices with new systems using environmentally-friendly freons.

Waste materials and obsolete computer hardware

We have an agreement with our motor oil supplier for the free removal and disposal of about 3 tonnes of waste oil. We also collect waste batteries, battery components, tyres, neon lighting, oil filters and oily rags, which are removed by authorised disposal companies.

We collect obsolete computer hardware and, once a year, deliver it to our computer equipment supplier, which carries out the processes necessary to separate the raw materials and recycles them into new raw materials for the manufacture of new products.

Waste

Despite the fact that paper, cardboard packaging, plastics, metal and glass are collected separately in order to reduce the quantity of unsorted waste, there was an increase in this quantity in 2008 to 3,900 m^3 (from 3,700 m^3 in 2007). This waste is deposited at the nearby landfill in Tenetiše.

Care for the airport complex land

Our activity also includes comprehensive care for the land within the airport complex. We mow the grass-covered areas regularly, groom the green areas and flowerbeds and, under the management of Kranj Forest Service, carry out cleaning and afforestation work in the wooded areas and undertake appropriate suppression of forest pests.

3.9.3 Noise measurements for higher quality of life in the municipalities adjacent to the airport

By introducing continuous monitoring of noise in December 2008, our airport joined the more than 40 European airports that had already introduced monitoring of the environmental impact of noise. This is an important step in our integral approach to resolving the problem of noise in the vicinity of the airport. At this stage it will allow us to identify those responsible for violations; after the adoption of appropriate legislation, we will be able to implement a number of measures (flight restrictions, levying of fees).

We have provided measuring terminals at four of the most exposed settlements below the flight paths. On the basis of the data which the measuring units send to the control centre, the sources of noise are identified and the daily and annual levels of noise pollution determined. Once a year we will also produce a noise map to identify the areas which suffer the most noise impact. We are also planning a link to the radar data source, which will help us to identify noise sources more easily and reliably.

3.9.4 Sponsorship and donations

Aerodrom Ljubljana's sponsorship and donation activities are built on three pillars: sport, art and culture, and humanitarian activities. We endeavour to ensure that the projects and individuals we support are associated and linked to our activity through their activity, thereby affording us opportunities for advertising and promotion.

Sport

We continued our sponsorship of the Slovenian Nordic skiing team. Our decision to sponsor ski-jumping was not a difficult one, giving that flying through the air is common to our respective activities.

We also signed a four-year contract with the Slovenian Olympic Committee, thus becoming a major sponsor of the Slovenian Olympic team. Our sponsorship of the Olympic team meant that we supported sportsmen and women at the national level, and were delighted with the medals that Slovenia's competitors brought back with them from Beijing. We also made donations to disabled athletes taking part in the Paralympics.

Last year we also supported the Squash Association of Slovenia, specifically the all-Slovenian squash tournament for the Aerodrom Ljubljana Cup. Squash is still not that well established in Slovenia, but we believe it has potential and, with the right professional and financial support, it will become established and grow.

We also provided smaller sums to support other top sportspeople and sporting events, including the Chess Federation of Slovenia, the Acroni Jesenice Hockey Club, and several local sports associations and talented individuals.

Art and culture

To mark the establishment of direct flights to Japan, the passenger terminal played host to an exhibition of photographs by Matej Sitar entitled ‘Tsurai’, which we also supported financially. The photographer used the exhibition to compare modern and traditional Japan. The project was a unique way of welcoming our guests from the Far East.

A multimedia project by the art group Artornado was also set up in the passenger terminal and given our financial support; the project contained various approaches to and views of the world of aviation.

Together with the Maska Institute, we prepared a series of short video postcards of the airport and of modern nomads, along with sound recordings. This was a multimedia project which, through our internal PA system and a series of video screens, highlighted the issue of refugees, the migration of people and the role of the airport as a migration space.

We continued our support for the young artist Jasmina Cibic in setting up her ‘Druge mitologije’ exhibition, hosted by the UGM art gallery in Maribor. In the centre of her creations, the artist placed an airport ‘departures and arrivals’ board, with the exhibition as a whole exploring the industrialisation of tourism and the consequently enforced stereotypical experience of certain geographical regions.

Humanitarian activities

We made donations to humanitarian, cultural and health institutions, schools and societies based in neighbouring municipalities.

We also provided financial assistance to those suffering from cerebral palsy. In collaboration with the Gorenjska Cerebral Palsy Society, we prepared the charity sale of drinks and other liquids which passengers are obliged to surrender prior to passing through security control points. We used the money collected to train teachers engaged in helping members involved in the society’s programmes.

We also supported two animal welfare societies which, among other activities, rescue abandoned and homeless animals found in the airport area.

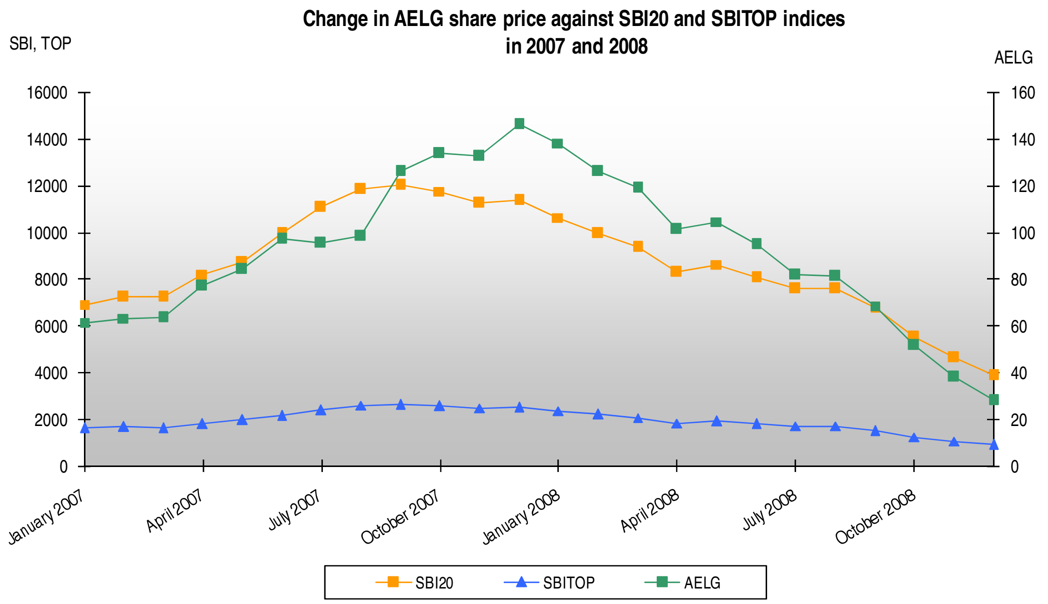
4 AELG SHARES AND OWNERSHIP OF THE COMPANY

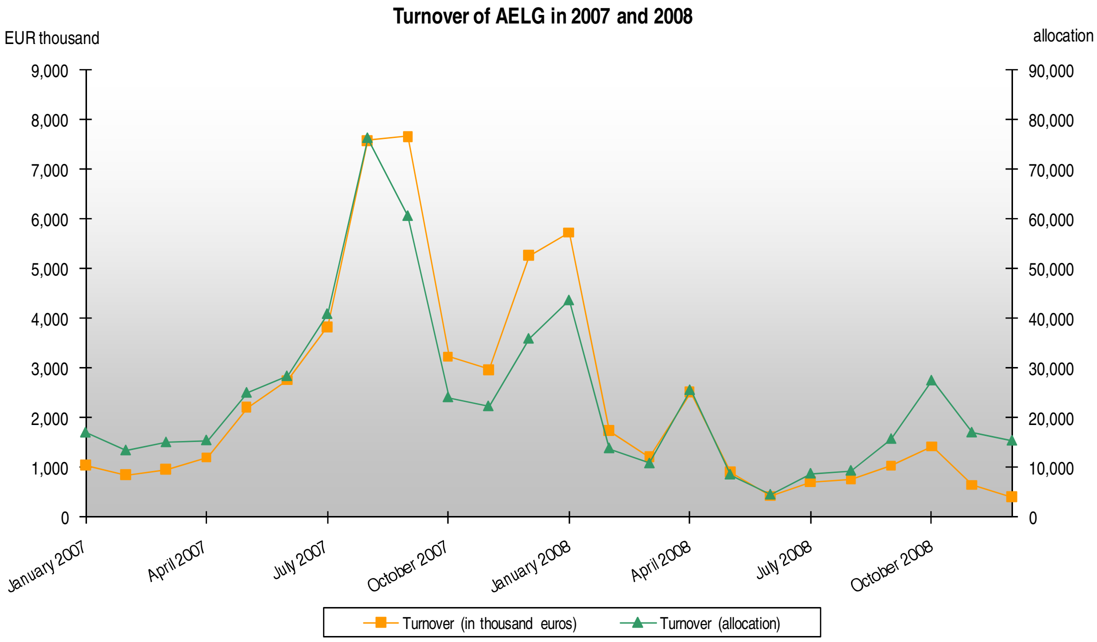
The company's share capital is divided into 3,796,527 no-par value shares which have been paid up in full. 49% of all shares (1,860,298 shares) are participating preference no-par value shares with limited voting rights owned by the Republic of Slovenia and 51% (1,936,229 shares) are ordinary freely transferable no-par value shares traded on the Ljubljana Stock Exchange's organised market since 1997 (AELG).

Slovenian capital market and AELG shares in 2008

Events on the world financial markets have naturally affected events on the Ljubljana Stock Exchange. The general fall in share prices was followed by a general fall in total turnover, which stood at EUR 1.3 billion in 2008, a fall of 42.3% on the year before. As at 31 December 2008, market capitalisation was 20.9% lower than at 31 December 2007, and the total number of transactions was down by 11.8% in comparison with the previous year. While the SBI20 and SBITOP indexes saw exceptional growth in 2007 (78.1 and 71.0% respectively), there was a significant fall in 2008 (67.5 and 66.1%). This means that their value as at 31 December 2008 was lower than it was on 1 January 2007.

The negative trends on the Ljubljana Stock Exchange affected AELG shares, whose price mirrored the movements of the Slovenian share index despite the company's good performance in 2008. After exceptional growth in 2007 (156%), the share price as at 31 December 2008 was only EUR 25.00, a fall of 83.0% on 31 December 2007; 2008 had begun with optimism, with the share value reaching its highest point on 3 January (EUR 149.83) and turnover standing at EUR 1,214 thousand on 24 January. Owing to the high share value at the start of the year, the average share price was still high, at EUR 85.29, which was only 12.9% less than in 2007. In 2008 total trade in AELG shares was EUR 17.8 million (55.1% down on 2007), representing 1.38% of all trade on Ljubljana Stock Exchange.





Significant data on AELG share

	2008	2007	Index 2008/2007
Market capitalisation on 31 December* – in million euros	48.406	284.916	17.0
Turnover – in thousand euros	17,788	39,626	44.9
Lowest share price – in euros	24.22	57.51	42.1
Highest share price – in euros	149.83	149.60	100.2
Average share price – in euros	85.29	97.93	87.1
Market price on 31 December – in euros	25.00	147.15	17.0
Book value of shares on 31 December – in euros (equity capital / total number of shares issued)**	30.58	29.05	105.3
Market price to book value on 31 December	0.82	5.07	16.2
Net profit per share – in euros (net profit / total number of shares issued)**	3.10	4.40	70.5
Total number of shareholders as of 31 December	8,842	7,396	119.6
Total number of shares issued	3,796,527	3,796,527	100.0
- participating preference shares	1,860,298	1,860,298	100.0
- ordinary shares, listed on stock exchange	1,936,229	1,936,229	100.0

* Ordinary shares, listed on stock exchange used in calculation.
** All shares used in calculation.

AELG shares are a constituent part of the Slovenian and three international stock market indices:

- SBI20 on the Ljubljana Stock Exchange (1.25% share of the index),
- CECE MID CAP Index on the Vienna Stock Exchange (2.79% share of the index),
- Dow Jones Stoxx Sub Balkan 30 Index (0.95% share of the index),
- Dow Jones Stoxx EU Enlarged TMI Index (0.08% share of the index).

Dividend policy

One of the most important objectives adopted by Aerodrom Ljubljana, d.d. as part of its development strategy up to 2015 is its capital policy, which is based on maximising the company's returns and, consequently, the share returns in the long term. The Management Board is in favour of a stable dividend that grows at the right rate alongside constant investment development, and has been able to deliver this in previous years. In line with this dividend policy, the company allocates part of its profits (in line with its Articles of Association) to reinvestment in further development, and part (in line with a general meeting resolution) for payment of dividends to shareholders.

Review of dividends in the period 2002-2008

in euros

Year	Ordinary shares	Participating preference shares
2002	0.87	1.23
2003	0.93	1.41
2004	1.00	1.00
2005	1.11	1.11
2006	1.10	1.10
2007	1.10	1.10
2008	0.43*	0.43*

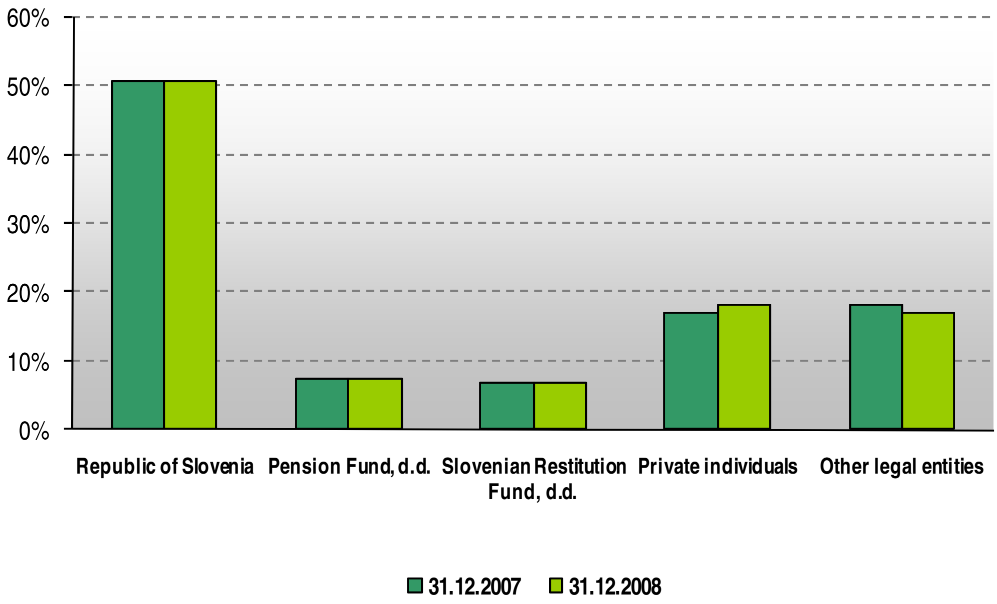
* Proposed amount, which will be discussed by the general meeting planned for the second half of June 2009.

In September 2008, ordinary and participating preference shareholders were paid dividends of EUR 1.1 gross per share for the 2007 financial year (the same amount as paid the previous year).

Taking into consideration the current economic situation and high planned investments in infrastructural and other facilities, which are indispensable for the further development of the company as well as for the high-quality performance of services and provision of security (which will ensure an increase in the value of the company and enhance its competitive position in the future), the Management Board will propose a somewhat lower dividend for the 2008 financial year than has been paid out in previous years (EUR 0.43).

Ownership of the company and shares held by members of the Management Board and Supervisory Board

As at 31 December 2008, the company had 8,842 shareholders – a 19.6% rise on 31 December 2007. There were no significant changes to the major company shareholders in 2008.



Ten largest company owners as at 31 December 2008 held 77.24% share in the capital of the company.

		No. of shares	Holding
1.	Republic of Slovenia	1,923,853	50.67
2.	Pension Fund, d.d.	279,561	7.36
3.	Slovenian Restitution Fund, d.d.	258,958	6.82
4.	Zavarovalnica Triglav, d.d.	151,086	3.98
5.	Publikum Trezor d.o.o.	101,233	2.67
6.	NLB skladi – globalni delniški sklad	78,183	2.06
7.	KD Rastko, delniški vzajemni sklad	48,305	1.27
8.	Delniški vzajemni sklad Triglav Steber I	45,091	1.19
9.	KD Galileo, vzajemni sklad	27,296	0.72
10.	Adriatic Slovenica d.d. Koper, kritni sklad	18,950	0.50

As at 31 December 2008, foreign shareholders held a 0.6% share in the capital of the company.

As at 31 December 2008, four members of the Supervisory Board held shares in the company, while neither member of the Management Board did so.

	No. of shares	Holding
Peter Marjan Habjan	150	0.0040
Franc Željko Županič, Msc	101	0.0027
Drago Čotar	320	0.0084
Igor Domevščik	107	0.0028

FINANCIAL REPORT

1 MANAGEMENT DECLARATION

The Management Board has approved the financial statements for the company Aerodrom Ljubljana, d.d., for the financial year ending 31 December 2008.

The Management Board confirms that appropriate accounting guidelines were consistently applied in compiling the financial statements, that the accounting estimates were made in accordance with the principles of prudence and due diligence, and that the annual report provides a true and fair picture of the financial standing of the company and the outcomes of its operation in 2008.

The Management Board is also responsible for ensuring that the accounting is conducted correctly, for adopting appropriate measures to insure property and other assets, and confirms that the financial statements, together with the notes, have been compiled on going-concern basis, and in line with current legislation, the provisions of the International Financial Reporting Standards as adopted by the European Union.

Janez Kolar, Msc
Member of the Management Board

Zmago Skobir
President of the Management Board

Zg. Brnik, 30 March 2009

2 INDEPENDENT AUDITORS´ REPORT

Deloitte.

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INDEPENDENT AUDITORS' REPORT
to the owners of Aerodrom Ljubljana, d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of the company Aerodrom Ljubljana, d.d., which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company Aerodrom Ljubljana, d.d. as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to disclosure 5.1.2. relating to land owned by the Republic of Slovenia on which the company carries out its core airport activity. The company has a right to build on certain parts of the land, but has not yet entered into a contractual arrangement with the Republic of Slovenia concerning the building right or purchase of land. Owing to the above facts, in particular the inability to estimate the amount of the potential liability reliably, the company did not have relevant provisions set aside as at the balance sheet date.

Without qualifying our opinion, we draw attention to disclosure 5.1.4. relating to long-term investments in unlisted shares and interests. The company's investments in unlisted shares and interests include an investment in the shares of Gorenjska banka, d.d. amounting to EUR 7,988,760. Because the company was unable to measure the investment reliably as at 31 December 2008 due to uncertainty in the financial markets in 2008, the investment is valued at EUR 1,560 per share, which equals the share's book value as shown in the company's books of account on 31 December 2007.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the Company's business report. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 1

Yuri Sidorovich
Certified Auditor
President of the Board

Ljubljana, March 31, 2009

3 FINANCIAL STATEMENTS

3.1 BALANCE SHEET

in euros

		Notes	31. 12. 2008	31. 12. 2007
	ASSETS		**124.045.257**	**123.185.613**
A	**Non-current assets**		**103.335.596**	**104.470.490**
	Intangible assets	5.1.1	852.806	617.707
	- non-current property rights		756.360	440.417
	- intangible assets in acquisition		96.446	177.290
	Property, plant and equipment	5.1.2	77.673.727	75.570.289
	- land		11.851.586	11.091.350
	- buildings		43.763.098	40.694.777
	- plant and equipment		15.590.353	14.792.763
	- property, plant and equipment in acquisition		6.468.690	8.991.399
	Investments in associates	5.1.3	1.251.878	1.251.878
	Non-current financial investments	5.1.4	23.418.063	26.854.717
	- financial investments available for sale		23.034.313	26.467.899
	- long-term loans		383.750	386.818
	Deferred tax receivables	5.1.5	139.122	175.899
	Current assets - total		**20.709.661**	**18.715.123**
B	**Current assets excluding deferred expenses and accrued revenues**		**20.688.411**	**18.704.843**
	Inventories		266.846	296.784
	Current financial investments	5.1.6	13.340.726	12.704.471
	- short-term loans		11.240.219	9.809.795
	- current financial investments, excluding loans		2.100.507	2.894.676
	Current trade receivables	5.1.7	6.582.043	5.487.339
	- current trade receivables from customers		4.719.599	4.172.439
	- current trade receivables from others		1.862.444	1.314.900
	Cash and cash equivalents		498.796	216.249
C	**Current deferred expenses and accrued revenues**		**21.250**	**10.280**
	Current deferred expenses		21.250	10.280
	CAPITAL AND LIABILITIES		**124.045.257**	**123.185.613**
A	**Equity capital**	5.1.8	**116.106.371**	**110.291.482**
	Called-up capital		15.842.626	15.842.626
	- share capital		15.842.626	15.842.626
	Equity reserves		24.287.659	24.287.659
	Profit reserves		63.795.736	54.957.824
	- legal reserves		4.013.029	4.013.029
	- reserves under the Articles of Association		12.039.085	10.999.505
	- other profit reserves		47.743.622	39.945.290
	Revaluation surplus		6.806.518	8.522.638
	Retained net profit		5.373.832	6.680.735
	- net profit or loss brought forward		0	78
	- net profit (or loss) for financial year		5.373.832	6.680.657
	Non-current liabilities - total		**3.643.111**	**5.375.819**
B	**Provisions and non-current accrued expenses and deferred revenues**	5.1.9	**1.613.137**	**2.317.626**
	Provisions for loyalty bonuses and severance pays		698.757	766.360
	Non-current accrued expenses and deferred revenues		914.380	1.551.266
C	**Non-current liabilities**		**2.029.974**	**3.058.193**
	Non-current accounts payables		328.345	228.519
	Deferred tax liabilities	5.1.10	1.701.629	2.829.674
	Current liabilities - total		**4.295.775**	**7.518.312**
D	**Current liabilities**	5.1.11	**3.951.653**	**7.138.260**
	Current operating liabilities		3.951.653	7.138.260
	- current accounts payables		2.894.476	3.545.238
	- other current accounts payables		1.057.177	1.512.112
	- corporate income tax liabilities		0	2.080.910
E	**Current accrued expenses and deferred revenues**	5.1.11	**344.122**	**380.052**
	Accrued expenses		319.472	368.788
	Current deferred revenues		24.650	11.264

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

3.2 INCOME STATEMENT

in euros

	Notes	1-12.2008	1-12.2007
Operating revenues		**39.952.575**	**37.218.143**
Net sales revenues	5.2.1	38.623.232	36.323.741
Other operating revenues	5.2.2	1.329.343	894.402
Operating expenses		**26.845.040**	**24.368.086**
Costs of goods, materials and services		**8.385.690**	**7.375.109**
Costs of materials		1.746.094	1.584.696
Costs of services	5.2.3	6.639.596	5.790.413
Labour costs	5.2.4	**12.074.803**	**11.534.845**
Depreciation / amortisation	5.2.5	**6.141.052**	**5.041.047**
Other operating expenses		**243.495**	**417.085**
Operating profit (EBIT)		**13.107.535**	**12.850.057**
Net financial revenues / expenses		**1.839.292**	**8.781.389**
Financial revenues	5.2.6	**1.883.584**	**8.845.366**
Financial expenses		**44.292**	**63.977**
Pre-tax profit		**14.946.827**	**21.631.446**
Corporate income tax	5.2.7	3.548.660	4.899.230
Deferred taxes	5.2.7	-389.076	30.574
Net profit (or loss) for financial year		**11.787.243**	**16.701.642**
Basic net profit per share		5,67	7,57
Diluted net profit per share		3,10	4,40

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

	Notes	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)		**11.398.167**	**16.701.642**
Pre-tax profit		14.946.827	21.631.446
Corporate income tax and other taxes not included in operating expenses		-3.548.660	-4.929.804
Adjustment for		**3.154.066**	**-4.054.008**
Amortisaton / depreciation of property, plant and equipment and intangible assets		6.141.052	5.041.047
Profit/loss by the disposal of property, plant and equipment and intangible assets		-506.500	-437.009
Creation / reversal of adjustment		0	38.669
Creation / reversal of provisions		-668.853	90.346
Other non-cash items transactions		-30.542	0
Financial revenues		-1.808.858	-8.830.372
Financial expenses		27.767	43.311
Cash flow from operating activities before working capital		**14.552.233**	**12.647.634**
Changes in working capital of operating items in balance sheet		**-4.203.541**	**313.333**
Change in trade receivables		-1.094.704	-728.427
Change in deferred expenses and accrued revenues		-10.970	31.529
Change in deferred tax receivables		0	30.574
Change in inventories		29.938	-84.431
Change in operating liabilities		-3.056.239	1.066.836
Change in accrued expenses and deferred revenues		-71.566	-2.748
Net cash flows from operations	**5.3.1**	**10.348.692**	**12.960.967**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from investment		**40.300.734**	**64.713.915**
Proceeds from interest and profit participation from investment		2.019.695	1.547.315
Proceeds from disposal of intangible assets		200.760	0
Proceeds from disposal of property, plant and equipment		960.031	3.729.868
Proceeds from disposal of non-current financial investments		2.499.880	10.534.931
Proceeds from disposal of current financial investments		34.620.368	48.901.801
Investment outflows		**-46.110.645**	**-73.801.583**
Acquisition of intangible assets		-519.039	-346.084
Acquisition of property, plant and equipment		-8.614.841	-26.644.370
Acquisition of non-current financial investments		-706.928	-169.624
Acquisition of current financial investments		-36.269.837	-46.641.505
Net cash flows from investment	**5.3.2**	**-5.809.911**	**-9.087.668**
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing outflows		**-4.256.234**	**-4.252.680**
Dividend payments		-4.256.234	-4.252.680
Net cash flows from financing	**5.3.3**	**-4.256.234**	**-4.252.680**
Closing balance of cash and cash equivalents		**498.796**	**216.249**
Net cash flows for period		**282.547**	**-379.381**
Opening balance of cash and cash equivalents		**216.249**	**595.630**

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

		Share capital	Equity reserves	Legal reserves	Reserves under Articles of Association	Other profit reserves	Revaluation surplus	Net profit brought forward	Net profit for financial year	Total equity capital
	31 December 2006	**15,842,626**	**24,287,659**	**4,013,029**	**7,659,177**	**31,478,178**	**7,851,600**	**2,518,440**	**3,520,773**	**97,171,482**
	Net profif 2006 transfer	0	0	0	0	0	0	3,520,773	-3,520,773	0
I.	**1 January 2007**	**15,842,626**	**24,287,659**	**4,013,029**	**7,659,177**	**31,478,178**	**7,851,600**	**6,039,213**	**0**	**97,171,482**
	Entry of net profit for financial year	0	0	0	0	0	0	0	16,701,642	16,701,642
	Change in the fair value of financial investments available for sale	0	0	0	0	0	671,038	0	0	671,038
	Distribution of net profit based on Management Board decision	0	0	0	3,340,328	6,680,657	0	0	-10,020,985	0
	Distribution of net profit based on general meeting resolution	0	0	0	0	1,786,455	0	-1,786,455	0	0
	For dividends	0	0	0	0	0	0	-4,176,180	0	-4,176,180
	Bonus for Supervisory Board members	0	0	0	0	0	0	-76,500	0	-76,500
II.	**31 December 2007**	**15,842,626**	**24,287,659**	**4,013,029**	**10,999,505**	**39,945,290**	**8,522,638**	**78**	**6,680,657**	**110,291,482**
	Net profif 2007 transfer	0	0	0	0	0	0	6,680,657	-6,680,657	0
I.	**1 January 2008**	**15,842,626**	**24,287,659**	**4,013,029**	**10,999,505**	**39,945,290**	**8,522,638**	**6,680,735**	**0**	**110,291,482**
	Entry of net profit for financial year	0	0	0	0	0	0	0	11,787,243	11,787,243
	Change in the fair value of financial investments available for sale	0	0	0	0	0	-1,716,120	0	0	-1,716,120
	Distribution of net profit based on Management Board decision	0	0	0	1,039,580	5,373,831	0	0	-6,413,411	0
	Distribution of net profit based on general meeting resolution	0	0	0	0	2,424,501	0	-2,424,501	0	0
	For dividends	0	0	0	0	0	0	-4,176,179	0	-4,176,179
	Bonus for Supervisory Board members	0	0	0	0	0	0	-80,055	0	-80,055
II.	**31 December 2008**	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**47,743,622**	**6,806,518**	**0**	**5,373,832**	**116,106,371**

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

Aerodrom Ljubljana, d.d. (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 for the next five years, 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 (IFRS).

The company's Management Board approved the financial statements on 30 March 2009.

4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS

Statement of compliance

The financial statements for 2008 and 2007 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 Companies Act and the company's internal rules.

Basis of preparation

The financial statements were prepared on a historical cost basis, except for financial instruments available-for-sale, which are disclosed at their fair value.

The methods used to measure fair value are described below by category.

Functional and reporting currency

Since 1 January 2007 Slovenia's official currency has been the euro, so all financial statements and accounting information have been compiled in euros, in other words the functional currency of the company. The exchange rate used for the conversion of data for 2006 from tolars to euros is 1 euro = 239.640 tolars.

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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and all future years affected by the revision.

Data on significant estimates of uncertainties and critical assumption prepared by the management in the process of implementing the accounting policies, and which have the greatest impact on the figures in the financial statements, is described in the following items:

- Financial report: that part of section 4.3 setting out the provisions and section 5.1.9 (Provisions and non-current accrued expenses and deferred revenues),
- Business report: section 3.8.2 – Financial risks (quantitative data is given in the explanatory notes on the financial statements next to individual receivables and liabilities).

4.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting guidelines used, and the nature and degree of importance are defined in the company's internal acts. For all the important amounts presented in the financial statements we also disclosed comparative information from the preceding period, and this is included in the numerical and descriptive information.
The accounting guidelines set out below were applied consistently in all periods presented in the attached financial statements.

<u>Investment in an associated company</u>

Aerodrom Ljubljana, d.d. owns 30.46% of Aerodrom Portorož, d.o.o. There are no significant transactions between the two companies, nor is there any exchange of managerial staff or the mutual provision of professional information and knowledge. The influence of Aerodrom Ljubljana, d.d. on Aerodrom Portorož, d.o.o. is defined in the provisions of the company contract and is in proportion to the ownership share that the former company has in the latter.

In light of this, Aerodrom Ljubljana, d.d. does not have a dominant or significant influence on Aerodrom Portorož, d.o.o. The investment is therefore evaluated according to the historical cost.

Foreign currency

Transactions expressed in foreign currency 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 the valid reference rate of the ECB. Foreign exchange differences are recognised in the income statement. Non-cash items and liabilities measured according to historical cost in a foreign currency are converted using the exchange rate on the day of the transaction.

Financial instruments

<u>Non-derivative financial instruments</u>

Non-derivative financial instruments include investments in equity capital (shares and participating interests), debt instruments, operating and other receivables, cash and cash equivalents, loans issued and granted, and operating and other liabilities.

Non-derivate financial instruments are initially recognised at their fair value, increased by costs directly relating to the purchase or issuing of the financial instrument or liability. After initial recognition, non-derivative financial instruments are measured using the method defined below.

A financial instrument is recognised if the company becomes party to contractual provisions of an instrument.

Financial instruments are derecognised when the company's contractual rights to cash flows expire, or if the company transfers the financial asset to another party, including control or all risks and rewards of the asset. Purchases and sales made in a regular or normal manner are charged on the transaction date, i.e. the date the company undertakes to sell or purchase the asset.

Financial liabilities are derecognised, when the company's contractual obligation expires, ceases or is terminated.

Cash and cash equivalents include cash on hand and in demand deposits.

The calculation of financial revenues and expenses is described under the item "Financial revenues and financial expenses".

Financial investments available-for-sale

The company's investments in equity capital (shares and participating interests) and debt securities are categorised as financial assets available for sale. After initial recognition, these investments are measured:

- according to fair value (on the basis of the quoted market price on the functioning market or on the basis of an appraisal by an authorised appraiser of the value of companies),
- according to the historical value in the event that a reliable fair value of the investment cannot be measured.

Changes to the fair value of financial assets pursuant to the first indent are recognised directly in equity capital. When recognition is removed (sale or redemption), the associated profit or loss is transferred to the income statement (in financial revenues or expenses). Losses due to impairment (see "Impairment"), and positive and negative exchange differences in cash assets available-for-sale (see "Foreign currency") are recognised in the income statement.

Loans issued and granted

Loans issued and granted are initially recognised according to their fair value, reduced by related transaction costs. After initial recognition, the loans are declared at repayment value, where any differences between the historical and repayment value are declared in the income statement in the period of loan repayment, using the effective interest rate method.

Others

Other non-derivate financial instruments are measured at repayment value using the effective interest rate method, reduced by losses due to impairment.

Derivative financial instruments

The company does not use derivative financial instruments to hedge against risk. It also does not retain or issue derivative financial instruments for trading purposes.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are disclosed at their historical cost, reduced by a depreciation adjustment and any cumulative loss due to impairment. The historical cost includes costs directly related to purchase of the asset. The historical cost of assets produced within the company include costs of material, direct labour costs, indirect production costs, and (if required) the initial estimate of costs for deconstructing and removing property, plant and equipment and renovating the area in which they were located.

Parts of property, plant and equipment with different useful life are reported as individual property, plant and equipment.

In accordance with IFRS 40, we judged whether any of our property could be considered as investment property. We found that all property was subject to own-use or did not meet the required criteria, and was therefore not reported as investment property.

Subsequent costs

Costs arising subsequently in relation to tangible fixed assets are disclosed as maintenance costs or 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 property, plant and equipment, if the criteria for recognition are met. The carrying amount of replaced parts is derecognised.

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.

The estimated useful life falls within the following ranges:

Buildings	20-40 years
Computer equipment	2-5 years
Motor vehicles	4-12 years
Other plant and equipment	5-15 years

The depreciable amount of assets is determined after deducting the residual value. We assess the residual value of property, plant and equipment after the expiry of useful life does not represent a significant proportion of the asset, so it is not recognised. This policy is reviewed at the end of each financial year, and if expectations differ from previous assessments, the changes are reported as a change in accounting estimates.

Intangible assets

Intangible assets are disclosed at their historical cost, reduced by a depreciation adjustment and any cumulative loss due to impairment.

Subsequent costs

Subsequent expenses relating to intangible assets are only capitalised in cases when the future economic benefits of the assets to which the expenses refer, increase. All remaining costs are recognised in the income statement as expenses, as they arise.

Amortisation

Amortisation is calculated using the straight-line method of amortisation, taking into account the useful life of intangible assets, unless the lifespan is not defined. The amortisation of intangible assets commences when the asset is available for use.

The estimated useful life for computer software and licences is between 5 and 10 years.

On the balance sheet date, the company determines whether any impairment of intangible assets with an undefined useful life has occurred.

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 obtained. The weighted average prices method is employed to value the use of inventories.

Impairment

If a decrease in the fair value of a financial asset available-for-sale has been recognised directly in equity capital and there is objective evidence that the asset is impaired, the cumulative loss is recognised in equity capital, removed from equity capital and recognised in the income statement, even if the financial asset has not been derecognised. The amount of cumulative loss removed from equity capital and recognised in the income statement is the difference between the historical cost and the current fair value, reduced by the impairment loss on that financial asset previously recognised in the income statement.

On the reporting date, the company verifies the carrying amount of assets, except for deferred tax receivables, by assessing whether any indication of impairment exists. If such indications exist, the recoverable amount of the asset must be estimated.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The impairment is disclosed in the income statement.

Receivables are revalued for reason of impairment if their carrying amount exceeds their fair value (i.e. the recoverable amount). Receivables for which it is assumed they will not be settled by the due deadline or in the full amount are deemed dubious receivables, while if judicial proceedings have commenced they are deemed disputed receivables. The collectibility of each receivable is assessed when the adjustment is made. Current operating expenses are recognised according to their value adjustment.

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

Calculating the recoverable amount

The recoverable amount of investments in held-to-maturity securities and receivables disclosed at repayment value is calculated as the present value of estimate future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate, computed at the initial recognition of these assets). Current receivables are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value at 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.

Reversal of impairment

An impairment loss in respect of a held-to-maturity security or receivable disclosed at repayment value is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity capital instrument classified as available-for-sale is not reversed via profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment shall be reversed and the amount of the reversal shall be recognised in the income statement.

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.

Equity capital

The total equity capital of the company is its liabilities to the owners, which mature for payment, if the company ceases to be a going concern. It comprises the share capital, equity capital reserves, profit reserves, retained net profit or loss brought forward, and the revaluation surplus. The company's share capital is divided into ordinary (freely transferable, bearer) shares and participating preference shares.

Preference shares

The participating preference shares with limited voting rights, whose bearer is the Republic of Slovenia, are a component part of share capital. Participating preference shares with limited voting rights can be transformed into ordinary bearer shares on the bearer's written request, on which the general meeting decides by means of procedures to amend the Articles of Association of the company. The transfer of registered participating preference shares with limited voting rights shall be carried out in accordance with the provisions of a specific law. A dividend comprising a fixed portion and variable portion shall pertain to participating preference shares with limited voting rights. The yield of preference shares is the same as the yield of ordinary shares, under the conditions defined by the Articles of Association of the company.

Dividends

Dividends are recognised as a liability in the period in which the general meeting adopted the resolution on dividend payment.

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 severance pay and loyalty bonuses

In accordance with legislation, the collective agreement, and internal rules, the company is committed to the payment of loyalty bonuses to employees and severance pay on retirement, and provisions are formed for this purpose. The company has no other pension liabilities.
The provisions are determined by discounting, at the balance sheet date, the estimated future benefits in respect of severance pay and loyalty bonuses. The calculation is made for each employee, taking into account the costs of severance pay on retirement and the cost of all expected loyalty bonuses until retirement. Account was taken of the planned fluctuation in the company and the anticipated growth in wages at the company. The selected discounted interest rate amounts to 7.65 percent a year, which was the return recorded at the end of December 2008 on the 10-year loan stock with high credit rating in the euro zone. The calculation uses projections prepared by a certified actuary.

Short-term accrued expenses and deferred revenues

The liability to employees from unused leave is disclosed among the current accrued expenses and deferred revenues of the company. The level of this liability is established on the basis of a calculation made for each individual employee.

Revenues

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

Revenues from services

Revenues from the provision of services are recognised in the income statement when the services are completed. Revenues are recognised when they may be reasonably expected to lead to actual receipts, if these have not already been obtained from the outset and can be reliably measured. Revenues are not recognised if there is uncertainty regarding payment for the services and related costs.

State aid

State aid is initially recognised in financial statements as deferred revenues (non-current accrued expenses and deferred revenues), when there is an acceptable assurance that the company will receive the aid, and the related conditions will be fulfilled. State aid received to cover expenses is recognised consistently, and very strictly, as revenues for the period in which the costs they are intended to cover arise. Funds connected to state aid are strictly and consistently recognised in the income statement under other operating revenues during the useful life of the asset.

Expenses

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

Financial revenues and expenses

Financial revenues include interest revenues, dividend revenues, capital gains from disposal of financial assets available-for-sale and positive exchange differences recognised in the income statement.
Interest revenues on financial investments are recognised at origin using the effective interest rate method. Revenues from late payment interest are recognised upon payment. Dividend revenues is recognised in the income statement on the day the shareholder's right to payment is exercised, which for stock-exchange listed companies is generally the date on which the right to a current dividend ceases to be related to the share.
Financial expenses covers negative exchange rate differences, equity capital losses from disposal of financial assets available-for-sale and expenses relating to bank commission for managing financial assets. The costs of interest are recognised in the income statement using the effective interest method.

Corporate income tax

Corporate income tax for the financial year includes taxes levied and deferred. Corporate income tax is reported in the income statement, except the part relating to items reported directly in equity, and therefore accounted for within equity capital.

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

Deferred tax is recorded using the balance sheet liability method, which takes into account temporary differences between the carrying amount of an asset or liability for the purposes of financial reporting and its tax base for the purposes of tax reporting. 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 enacted or substantively enacted by the balance sheet date.

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

Net profit per share (EPS)

The company reports the basic profit per share and diluted profit per share for ordinary shares. The basic profit per share is calculated by dividing the profit or loss attributable to ordinary shareholder by the weighted average number of ordinary shares for the period. The diluted profit per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the period to take into account the effects of all dilutive (potential) ordinary shares, which are participating preference shares that can be exchanged for ordinary shares.

Segment reporting

The company does not have regional departments, and so only provides services in one location. The company does not have any segments since, given the type of services it provides and, in particular, the risks associated with them, the definition of segments would not suffice to meet the definition of a segment under the IFRS. The services it provides comprise a whole, if seen in terms of content; if an individual service is not specified, it does not mean that the company does not provide it, but that it is impossible to separate individual services from the whole. There are also no significant differences between services in terms of risks and returns. There is one key risk that is common to all services, linked to ensuring a sufficient volume of traffic (number of passengers, aircraft movements and volume of cargo).

New standards and interpretations that have not yet entered into force

In compiling the financial statements for the 2008 financial year, new standards and interpretations that had not entered into force by 31 December 2008 were not taken into account. These are:

- IFRS 8 – Operating Segments (start of compulsory application for periods beginning 1 January 2009).
  The company has not yet completed its analysis of the effects of this supplement.
- The revised IAS 23 (Borrowing Costs, in force from 1 January 2009) requires the capitalisation of borrowing costs to the value of the assets and does not permit borrowing costs to be classified as items that directly reduce profit or increase loss.
  The company will apply the revised IAS 23 only for those assets for which capitalisation of borrowing costs begins on the day the revised standard enters into force, or later.
- The supplement to IFRS 2 (Share-based Payment, in force from 1 January 2009)
  The supplements to IFRS 2 do not affect the operations of the company since it does not have a system of benefits in the form of payment with shares.
- The supplemented IFRS 3 (Business Combinations, in force from 1 July 2009)

The supplemented IFRS 3 will not affect the financial statements of the company because the company is not planning any business combinations.

- The revised IAS 1 (Presentation of Financial Statements, in force from 1 January 2009) requires that data in financial statements be consolidated on the basis of joint characteristics and introduces the 'all-inclusive income statement'. Cost and expense items, as well as the components of other all-inclusive revenues, are disclosed either in the all-inclusive income statement (which encompasses an income statement and all non-equity changes in capital in a single statement), or two separate statements (income statements and all-inclusive income statement).

The company has not yet taken a decision on the method of stating all-inclusive revenues.

- The amended IAS 27 (Consolidated and Separate Financial Statements, in force from 1 January 2009)

This supplement will not affect the company's financial statements because it does not compile consolidated financial statements.

- Supplements to IAS 32 (Financial Instruments Presentation) and IAS 1 (Presentation of Financial Statements), in force from 1 January 2009) enables certain saleable instruments issued by the company and usually classified as a liability to be classified as equity capital, but only if they meet certain conditions.

These supplements are not of significance for the company because it has not issued saleable instruments in the past, and is not planning to do so in the future.

- Supplement to IAS 39 (Financial Instruments: Recognition and Measurement, in force from 1 July 2009) describes in detail the application of existing principles that determine whether special forms of cash flow risk or portions of cash flow can reflect the hedge ratio. In order to reflect the hedge ratio, it is necessary to recognise and measure risks or portions of risks separately; however, we cannot determine inflation except in limited circumstances.

The company has not yet completed its analysis of the effects of this supplement.

- IFRIC 12 Service Concession Arrangements (entry into force was planned for 1 January 2008, but has now been postponed to 1 January 2009 because the interpretation has not been adopted by the European Union).

The company does not expect this interpretation to affect its operations.

- IFRIC 13 (Customer Loyalty Programmes, in force from 1 July 2008)

The company is not part of any customer loyalty programmes; IFRIC 13 will therefore not affect its financial statements for the 2009 financial year.

- IFRIC 14: IAS 19 (Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, in force from 1 January 2009)

The company does not provide long-term employee benefits on which this interpretation would have an effect.

- IFRIC 15 (Agreements on the Construction of Real Estate, in force from 1 January 2009)

This interpretation is not significant for the company because it does not construct real estate for sale.

- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation, in force from 1 October 2008)

This interpretation does not affect the company's financial statements because it does not compile consolidated financial statements and does not have any financial investments in foreign operations.

- IFRIC 17 (Distributions of Non-cash Assets, in force from 15 July 2009) applies to the unilateral payment of non-cash assets to shareholders.

This interpretation will apply to financial statements for the period following adoption of the interpretation. Its effect is impossible to estimate because it relates to future dividends that will have to be approved by the company's general meeting.

5 NOTES TO THE FINANCIAL STATEMENTS

5.1 NOTES TO THE BALANCE SHEET

5.1.1 Intangible assets 852,806 euros

Changes in 2008 and 2007

in euros

	Licences, software	Property rights	Intangible assets in acquisition	Total
HISTORICAL COST				
1 January 2008	756,940	212,257	177,290	1,146,487
Acquisitions	0	0	519,039	519,039
Capitalisations	279,518	320,365	- 599,883	0
Disposals	0	212,257	0	212,257
31 December 2008	1,036,458	320,365	96,446	1,453,269
ADJUSTMENT				
1 January 2008	519,936	8,844	0	528,780
Amortisation	77,857	5,323	0	83,180
Disposals	0	11,497	0	11,497
31 December 2008	597,793	2,670	0	600,463
CARRYING AMOUNT				
1 January 2008	237,004	203,413	177,290	617,707
31 December 2008	438,665	317,695	96,446	852,806
HISTORICAL COST				
1 January 2007	657,486	0	156,507	813,993
Acquisitions	0	0	346,084	346,084
Capitalisations	99,454	212,257	-311,711	0
Transfer to property, plant and equipment	0	0	-13,590	-13,590
31 December 2007	756,940	212,257	177,290	1,146,487
ADJUSTMENT				
1 January 2007	422,837	0	0	422,837
Amortisation	97,099	8,844	0	105,943
31 December 2007	519,936	8,844	0	528,780
CARRYING AMOUNT				
1 January 2007	234,649	0	156,507	391,156
31 December 2007	237,004	203,413	177,290	617,707

5.1.2 Property, plant and equipment 77,673,727 euros

Changes in 2008

in euros

	Property	Buildings	Equipment	Equipment not in use	Property, plant and equipment in acquisition	Advances	Total
HISTORICAL COST							
1 January 2008	11,091,350	94,663,285	38,799,936	655,766	8,787,022	204,377	154,201,736
Acquisitions	0	0	0	0	8,819,218	- 204,377	8,614,841
Capitalisations	790,636	6,122,182	4,224,732	0	- 11,137,550	0	0
Transfer among assets	0	0	- 1,051,013	1,051,013	0	0	0
Disposals	30,400	2,148,628	239,691	599,513	0	0	3,018,232
31 December 2008	11,851,586	98,636,839	41,733,964	1,107,266	6,468,690	0	159,798,345
ADJUSTMENT							
1 January 2008	0	53,968,508	24,007,173	655,766	0	0	78,631,447
Amortisation	0	2,639,074	3,418,799	0	0	0	6,057,873
Transfer among assets	0	0	- 1,043,575	1,043,575	0	0	0
Disposals	0	1,733,841	231,460	599,401	0	0	2,564,702
31 December 2008	0	54,873,741	26,150,937	1,099,940	0	0	82,124,618
CARRYING AMOUNT							
1 January 2008	11,091,350	40,694,777	14,792,763	0	8,787,022	204,377	75,570,289
31 December 2008	11,851,586	43,763,098	15,583,027	7,326	6,468,690	0	77,673,727

The tangible fixed assets disclosed by the company as at 31 December 2008 are unencumbered.

Land

As at 31 December 2008, the company owned 34.5 hectares of brownfield and greenfield land in the cadastral municipalities of Grad, Šenčur, Cerklje na Gorenjskem, Velesovo and Zgornji Brnik. In 2008 for the needs of long-term airport development, the company purchased and activated 1.3 hectares of land to a total value of EUR 790,636, while land measuring 0.1 hectares (value of EUR 30,400) was separated off for the purpose of sale or exchange for new acquisitions. In December, 2.4 hectares of land to a value of EUR 1,832,480 was acquired. As at 31 December 2008, this land was disclosed as property, plant and equipment in acquisition.

The 510 hectares of land at Jože Pučnik Airport where the company pursues its basic line of business as an airport became the property of the Slovenian state during the privatisation of the company and are not disclosed in the company's accounts. For part of this land, a building right in favour of the company has been established, but despite our intense efforts in past years, we have still not signed a general contract with the state on the building right and the purchase of land. In view of these facts, and owing chiefly to the impossibility of a reliable estimate of the amount of possible liabilities, as at the date of the balance sheet the company had no provisions created in this respect. A valid building permit is held for all the buildings on state-owned land. Pursuant to the Property Code, Aerodrom Ljubljana, d.d. submitted in due time a proposal to the Slovenian government regarding a general contract on the legally acquired (*ex lege*) rights for existing buildings and land, which will facilitate management of and the right to build on state-owned land, and the entry of structures owned by the company in the land register.

Structures and facilities

The following major items are included in increases in facilities from activation to a total value of EUR 6,122,182, which were disclosed as at 1 January 2008 as buildings in acquisition:

	in euros
Extension of the taxiway to Threshold 31	2,712,511
Two lanes connecting the taxiway and the runway	1,536,282
Expansion of the general aviation apron	802,649
Runway – increase in value from reconstruction of part of the runway	723,226

Equipment

In 2008 equipment to a total value of EUR 4,224,732 was activated. Larger items included in this amount are:

	in euros
Lighting system on the taxiway and on the lanes connecting the runway and taxiway	916,873
Aircraft de-icer	654,400
Fire fighting vehicle	499,935
Control system on the connecting lanes	217,092
Smaller lifting platform	157,720
Sewage removal vehicle	149,637
Towing vehicle for smaller aircraft types	119,780

Property, plant and equipment in acquisition

As at 31 December 2008, the value of property, plant and equipment in acquisition was EUR 6,468,690. Most of this sum related to:

	in euros
Multi-storey car park	2,055,699
New passenger terminal (second phase)	1,877,908
Land	1,832,480

Changes in 2007

in euros

	Property	Buildings	Equipment	Equipment not in use	Property, plant and equipment in acquisition	Advances	Total
HISTORICAL COST							
1 January 2007	9,596,873	85,262,252	30,587,918	811,131	6,803,898	4,571	133,066,643
Acquisitions	0	0	0	0	26,458,154	199,806	26,657,960
Capitalisations	1,863,098	9,926,421	9,877,600	0	-21,685,187	0	-18,068
Transfer among assets	0	-26,003	-1,260,203	1,260,203	12,707	0	-13,296
Disposals	-368,621	-499,385	-405,379	-1,415,568	-2,802,550	0	-5,491,503
31 December 2007	11,091,350	94,663,285	38,799,936	655,766	8,787,022	204,377	154,201,736
ADJUSTMENT							
1 January 2007	0	51,995,268	23,119,983	811,100	0	0	75,926,351
Transfer among assets	0	-31,363	-1,260,203	1,260,203	0	0	-31,363
Disposals	0	-403,342	-379,766	-1,415,537	0	0	-2,198,645
Depreciation	0	2,407,945	2,527,159	0	0	0	4,935,104
31 December 2007	0	53,968,508	24,007,173	655,766	0	0	78,631,447
CARRYING AMOUNT							
1 January 2007	9,596,873	33,266,984	7,467,935	31	6,803,898	4,571	57,140,292
31 December 2007	11,091,350	40,694,777	14,792,763	0	8,787,022	204,377	75,570,289

5.1.3 Investments in associated companies — 1,251,878 euros

Investment in an associated company of EUR 1,251,878 relates to the 30.46% ownership stake in the company Aerodrom Portorož, d.o.o., Sečovlje 19, Sečovlje. We do not disclose this investment in the financial statements using the capital method. The investment is valued at the historical cost, since we have neither a dominant nor a significant influence on the company.

The line of business of Aerodrom Portorož has, in recent years, been oriented primarily towards an increase in traffic volume, with the aim of establishing regular air links. In parallel with this, the company, in the years since our company became part of the ownership structure, has been making extensive investments in infrastructure to make significant improvements to the conditions of operation of the airport. The results of past and current marketing activities have not yet solidified into profitable operations by the company; the less positive economic situation in 2008 has not helped in this regard, although it is realistic to expect profitable operations in the future. In order to realise the planned commercial activities, the existing owners are giving serious consideration to the possibility of recapitalisation of the company. In light of this, we did not impair our investment in Aerodrom Portorož, d.o.o., despite the loss of EUR 271,745 recorded in 2008.

As at 31 December 2008, the value of the equity capital of Aerodrom Portorož, d.o.o. in its accounts stood at EUR 3,440,310.

5.1.4 Non-current financial investments — 23,418,063 euros

In non-current financial investments financial assets available-for-sale are shown in the amount of EUR 23,034,313 and long-term loans in the amount of EUR 383,750.

Financial investments available for sale **23,034,313 euros**

in euros

	2008	2007
Bonds	10,972,467	12,043,966
Quoted shares	407,374	545,123
Financial assets managed at banks	2,006,329	3,096,817
Mutual funds	1,490,073	2,424,529
Unquoted shares and participating interests	8,158,070	8,357,464
Total	23,034,313	26,467,899

The book value of financial assets available for sale is equal to their fair value. We explain below the method used to establish the value by individual type for the sale of available assets. Despite everything, and because of the global crisis on financial markets and its effect on the Slovenian capital market, there is a certain level of uncertainty relating to future events; given the current situation, it is virtually impossible to predict these events with any certainty.

The fair value of securities quoted on the stock exchange (shares and bonds) is equal to the published average price, while the fair value of investments in mutual funds is established by using the published value of the unit price for each mutual fund.

The investment in 5,121 shares in Gorenjska Banka, d.d. (EUR 7,988,760) is disclosed as part of investments in participating interests and shares not quoted on the stock exchange. We estimate that, as a result of the deepening of the financial crisis in 2008 and of its consequences for the state of the financial markets, a reliable indication of the fair value of this investment was not available as at 31 December 2008. The investment by Aerodrom Ljubljana in Gorenjska Banka shares is of a long-term nature. Despite current conditions, the performance of Gorenjska Banka is good; this is a relatively conservative but safe bank with high liquidity. It operates with an adequate level of profit and pays dividends on a constant basis. It is one of the country's most successful banks (in second place in terms of total equity capital and in ninth place in terms of balance sheet total). International classification systems place it in a position comparable to the best banks in Central and Eastern Europe. In accordance with IAS 39.54, we have estimated this investment at EUR 1,560.00 per share as at 31 December 2008, which is the book value of this share in our company's accounts as at 31 December 2007, which, in accordance with the provisions of IAS 39.54, became the new historical cost (and constitutes the fair value of the share as at 31 December 2007, established on the basis of the appraisal of an authorised appraiser of the value of companies).

The investment in a 51% share in Feniksšped, d.o.o., Brnik is also disclosed as part of participating interests and shares not quoted on the stock exchange. Given that this investment has a relatively nominal value (EUR 53,205) and represents a negligible volume of business in value terms, it is not consolidated. The investment is valued at its historical cost. In 2007 and 2008, Feniksšped, d.o.o., Brnik operated at a profit (EUR 37,214 in 2008). As at 31 December 2008, its accounts valued the equity capital of the company at EUR 102,128.

Owing to the fact that we do not have information on the basis of which we could assess their fair value, other participating interests and shares not quoted on the stock exchange (shares in Skupna pokojninska družba and a participating interest in IEDC poslovna šola Bled, d.o.o., totalling EUR 116,105) have been assessed according at their historical cost. Given the available information on the operation of these companies and the amount of their capital, there is no reason to impair these investments.

Changes in 2008

in euros

	1 Jan 2008	Revaluation	Increase	Decrease	Transfer from current financial investments	Transfer to current financial investments	Other transfers	31 Dec 2008
Bonds	12,043,966	-54,142	1,430,059	3,241,585	2,894,676	- 2,100,507	0	10,972,467
Quoted shares	545,123	- 337,143	0	0	0	0	199,394	407,374
Financial assets managed at banks	3,096,817	- 1,064,531	0	25,957	0	0	0	2,006,329
Mutual funds	2,424,529	- 934,456	0	0	0	0	0	1,490,073
Unquoted shares and participating interests	8,357,464	0	0	0	0	0	- 199,394	8,158,070
Total	26,467,899	- 2,390,272	1,430,059	3,267,542	2,894,676	- 2,100,507	0	23,034,313

The placing of Zavarovalnica Triglav, d.d shares into the Ljubljana Stock Exchange's listing in September 2008 is shown as a transfer from financial investments in unquoted shares and participating interests into financial investments in quoted shares (in the amount of its historical cost; EUR 199,394).

Changes in 2007

in euros

	1 Jan 2007	Revaluation	Increase	Decrease	Transfers	31 Dec 2007
Bonds	17,271,563	- 294,104	797,222	2,836,040	- 2,894,675	12,043,966
Quoted shares	4,204,732	4,597,055	0	8,256,664	0	545,123
Financial assets managed at banks	2,365,605	816,823	0	50,873	- 34,738	3,096,817
Mutual funds	1,958,189	431,602	0	0	34,738	2,424,529
Unquoted shares and participating interests	6,254,953	2,278,858	0	176,347	0	8,357,464
Total	32,055,042	7,830,234	797,222	11,319,924	- 2,894,675	26,467,899

Structure by maturity as at 31 December 2008

in euros

	One to five years	Over five years	31 Dec 2008
Bonds	9,036,796	1,935,671	10,972,467
Quoted shares	0	407,374	407,374
Financial assets managed at banks	0	2,006,329	2,006,329
Mutual funds	0	1,490,073	1,490,073
Unquoted shares and participating interests	0	8,158,070	8,158,070
Total	9,036,796	13,997,517	23,034,313

Structure by maturity as at 31 December 2007

in euros

	One to five years	Over five years	31 Dec 2007
Bonds	10,148,574	1,895,392	12,043,966
Quoted shares	0	545,123	545,123
Financial assets managed at banks	0	3,096,817	3,096,817
Mutual funds	0	2,424,529	2,424,529
Unquoted shares and participating interests	0	8,357,464	8,357,464
Total	10,148,574	16,319,325	26,467,899

Long-term loans 383,750 euros

Long-term loans are primarily long-term deposits in banks, measured using the amortised cost method.

Changes in 2008

in euros

	1 Jan 2008	Increase	Decrease	31 Dec 2008
Long-term loans	386,818	0	3,068	383,750

Changes in 2007

in euros

	1 Jan 2007	Increase	Decrease	Transfers	31 Dec 2007
Long-term loans	2,116,984	169,624	1,902	- 1,897,888	386,818

Structure by maturity as at 31 December 2008

in euros

	One to five years	Over five years	31 Dec 2008
Long-term loans	383,750	0	383,750

Structure by maturity as at 31 December 2007

in euros

	One to five years	Over five years	31 Dec 2007
Long-term loans	386,818	0	386,818

Effect of financial investments on equity capital and performance

Effect of financial investments on equity capital in 2008 (changes in surplus from revaluating financial investments to fair value)

in euros

Revaluation surplus:	1 Jan 2008	Revaluation	Transfer to financial revenues	Transfer to financial expenses	Change in deferred tax liabilities	Decrease in tax rate	31 Dec 2008
- Bonds	354,110	- 54,142	- 31,927	3,887	0	0	271,928
- Quoted shares	472,034	- 337,143	0	0	0	0	134,891
- Financial assets managed at banks	1,784,569	- 1,064,531	0	0	0	0	720,038
- Mutual funds	956,252	- 934,456	0	0	0	0	21,796
- Unquoted shares and participating interests	7,359,495	0	0	0	0	0	7,359,495
Total	10,926,460	- 2,390,272	- 31,927	3,887	0	0	8,508,148
Adjustment for deferred tax liabilities	2,403,821	- 525,860	0	0	-6,169	- 170,163	1,701,629
Revaluation surplus	8,522,638	- 1,864,412	- 31,927	3,887	-6,169	170,163	6,806,519

* The reduction in the deferred tax liabilities relates to securities sold or redeemed during 2008; revenues and expenses from capital gains or losses made upon the sale are included in the tax payable on profits for 2008.

Effect of financial investments on equity capital in 2007 (changes in surplus from revaluating financial investments to fair value)

in euros

Revaluation surplus:	1 Jan 2007	Transfers	Revaluation	Transfer to financial revenues	Change in deferred tax liabilities*	Decrease in tax rate	31 Dec 2007
- Bonds	648,523	0	- 294,104	309	0	0	354,110
- Quoted shares	2,975,327	0	4,597,054	7,100,347	0	0	472,034
- Financial assets managed at banks	976,011	-8,265	816,823	0	0	0	1,784,569
- Mutual funds	516,385	8,265	431,602	0	0	0	956,252
- Unquoted shares and participating interests	5,080,637	0	2,278,858	0	0	0	7,359,495
Total	10,196,883	0	7,830,233	7,100,656	0	0	10,926,460
Adjustment for deferred tax liabilities	2,345,283	0	1,594,749	0	-1,437,838	-98,372	2,403,822
Revaluation surplus	7,851,600	0	6,235,484	7,100,656	1,437,838	98,372	8,522,638

* The reduction in the deferred tax liabilities relates to securities sold or redeemed during 2007; revenues and expenses from capital gains or losses made upon the sale are included in the tax payable on profits for 2007.

Effect of financial investments on performance in 2008 and 2007

in euros

	2008	2007
Dividends and interest on financial assets managed by banks	30,988	18,401
Dividends on quoted shares	5,637	24,002
Dividends on unquoted shares	358,470	424,459
Interest on bonds	728,118	797,222
Capital gains from sale of quoted shares	0	7,100,347
Capital gains from sale of participating interest	0	53,652
Capital gains from sale of mutual funds	78	0
Capital gains from redeeming bonds	31,927	309
Interest on long-term loans	39,815	109,746
Interest on short-term loans	613,822	302,246
Total revenues	1,808,855	8,830,384
Commission on financial assets managed by banks	23,879	43,311
Capital loss from redeeming quoted bonds	3,887	0
Capital loss from redeeming unquoted bonds	0	0
Total expenses	27,766	43,311

Interest rate risk

In order to ascertain the interest rate risk, an analysis of sensitivity was drawn up which took account of the timing of the Euribor repricing of 1.76 percentage points upwards or downwards. This timing is determined on the basis of the movement of Euribor in the 2004–2008 period, and only investments in bonds were included. The Euribor repricing does not affect other investments in such a way as to increase financial revenues or the revalued capital surplus.

The analysis shows that the timing of the Euribor repricing will not have a significant effect on the state of the company’s capital (there would be a 0.02% change in equity capital); likewise, it would not have a significant impact on the net profit disclosed (the change to the pre-tax profit would be 0.23%).

5.1.5 Deferred tax receivables 139,122 euros

Deferred tax receivables relate to the following items:

in euros

	2008	2007
Impairment of financial investments	0	451
Impairment of current trade receivables	8,305	15,305
Creation of provisions	130,817	160,143
Total	139,122	175,899

Changes in 2008

in euros

	1 Jan 2008	Decrease	Increase	31 Dec 2008
Impairment of financial investments	451	451	0	0
Impairment of current trade receivables	15,305	9,511	2,511	8,305
Creation of provisions	160,143	30,573	1,247	130,817
Total	175,899	40,535	3,758	139,122

Changes in 2007

in euros

	1 Jan 2007	Decrease	Increase	31 Dec 2007
Impairment of financial investments	451	0	0	451
Impairment of current trade receivables	12,808	1,441	3,938	15,305
Creation of provisions	193,214	33,071	0	160,143
Total	206,473	34,512	3,938	175,899

Structure by maturity as at 31 December 2008

in euros

	Up to 1 year	One to five years	Over five years	31 Dec 2008
Impairment of current trade receivables	8,305	0	0	8,305
Creation of provisions	13,082	27,472	90,263	130,817
Total	21,387	27,472	90,263	139,122

Structure by maturity as at 31 December 2007

in euros

	Up to 1 year	One to five years	Over five years	31 Dec 2007
Impairment of financial investments	451	0	0	451
Impairment of current trade receivables	15,305	0	0	15,305
Creation of provisions	12,465	31,369	116,309	160,143
Total	28,221	31,369	116,309	175,899

5.1.6 Current financial investments 13,340,726 euros

The statement of current financial investments includes current loans and other current financial investments. Short-term loans amounting to EUR 11,240,219 relate to short-term deposits at banks measured by the redemption value. Their annual interest rate is fixed and ranges between 4.2 and 5.95 percent. They are intended to ensure current liquidity.
Other current financial investments in the amount of EUR 2,100,507 represent the current portion of bonds whose redemption is envisaged in 2009 in view of the amortisation plans.

The effect of current financial investment on the income statement is presented as part of non-current financial investments (explanation 5.1.4).

Changes in 2008

in euros

	1 Jan 2008	Increase	Transfer to non-current financial investments	Transfer from non-current financial investments	Decrease	31 Dec 2008
Short-term loans	9,809,796	37,318,332	0	0	35,887,909	11,240,219
Other current financial investments	2,894,675	0	-2,894,675	2,100,507	0	2,100,507
Total	12,704,471	37,318,332	-2,894,675	2,100,507	35,887,909	13,340,726

Changes in 2007

in euros

	1 Jan 2007	Increase	Transfer from non-current financial investments	Decrease	31 Dec 2007
Short-term loans	10,043,443	47,155,917	1,897,888	49,287,452	9,809,796
Other current financial investments	0	0	2,894,675	0	2,894,675
Total	10,043,443	47,155,917	4,792,563	49,287,452	12,704,471

Structure by maturity as at 31 December 2008

in euros

	On call	Up to three months	Three months to one year	31 Dec 2008
Short-term loans	311,000	5,279,450	5,649,769	11,240,219
Other current financial investments	0	1,762,232	338,275	2,100,507
Total	311,000	7,041,682	5,988,044	13,340,726

Structure by maturity as at 31 December 2007

in euros

	On call	Up to three months	Three months to one year	31 Dec 2007
Short-term loans	279,520	5,917,929	3,612,347	9,809,796
Other current financial investments	0	188,054	2,706,621	2,894,675
Total	279,520	6,105,983	6,318,968	12,704,471

5.1.7 Current trade receivables 6,582,043 euros

The statement of current trade receivables includes current trade receivables from customers in the amount of EUR 4,719,599 and current trade receivables from others in the amount of EUR 1,862,444.

Current trade receivables from customers **4,719,599 euros**

in euros

	2008	2007
Current domestic trade receivables from customers	3,771,756	2,930,273
Current trade receivables from customers from rest of world	947,843	1,242,166
Total	4,719,599	4,172,439

in euros

	Gross value	Value adjustment	Net value 2008
Current domestic accounts receivable	3,824,527	- 52,771	3,771,756
Current accounts receivable from rest of world	948,338	- 495	947,843
Total	4,772,865	-53,266	4,719,599

Most of the adjustment in value shown as at 31 December 2008 (EUR 53,266) was generated in the years prior to 2008.

Changes in value adjustments of receivables

in euros

	2008	2007
Balance as at 1 Jan	165,651	283,671
Newly created value adjustments of receivables	13,409	17,965
Payments received of already adjusted receivables	- 15,293	- 8,451
Receivables written off in out of court settlement	- 75,441	-122,082
Other receivables written off	- 35,060	-5,452
Balance as at 31 Dec	53,266	165,651

Structure by maturity

in euros

	2008	2007
Receivables not due	2,563,166	2,995,149
Receivables up to three months overdue	2,009,433	1,044,789
Receivables three months to one year overdue	140,899	139,010
Receivables one to five years overdue	58,289	78,533
Receivables more than five years overdue	1,078	79,482
Total	4,772,865	4,336,963

The total amount of receivables under litigation as at 31 December 2008 was EUR 52,331.

Current trade receivables from others **1,862,444 euros**

in euros

	2008	2007
Receivables for input VAT	869,476	1,279,535
Receivables from prepayment of corporate income tax	942,301	0
Other current receivables	50,667	35,365
Total	1,862,444	1,314,900

5.1.8 Equity capital 116,106,371 euros

As at 31 December 2008 the company did not have treasury shares or authorised capital, and the general meeting had not passed a resolution to increase the share capital. Changes in equity capital in 2008 and 2007 are shown in the statement of changes in equity capital.

Share capital

The following table shows a breakdown of share capital by shares:

	Number of no-par value shares	Percentage of share capital	Nominal value of equity capital in euros
Preferred participating shares	1,860,298	49	7,762,887
Ordinary freely transferable shares	1,936,229	51	8,079,739
Total share capital	3,796,527	100	15,842,626

All issued shares are paid-up in full.

The participating preference no-par value shares are shares with limited voting rights owned by the Republic of Slovenia, and in accordance with Article 8 of the company's Articles of Association they yield a dividend comprising a fixed and a variable part. The dividend for the participating priority shares with limited voting rights are the same as the dividend for ordinary shares, if the net profit for the financial year is below 1% or over 20% of the nominal equity capital plus the equity capital revaluation adjustment.

The ordinary no-par value shares are bearer securities and are freely transferable, having been traded on the Ljubljana Stock Exchange since October 1997.

The book value of a share as at 31 December 2008 was EUR 30.58.

Equity reserves

Equity reserves in the amount of EUR 24,287,659 were formed on the basis of the elimination of the general equity capital revaluation adjustment.

Profit reserves

in euros

	2008	2007
Legal reserves	4,013,029	4,013,029
Reserves under the Articles of association	12,039,085	10,999,505
Other profit reserves	47,743,622	39,945,290
Total	63,795,736	54,957,824

In accordance with a resolution of the company’s general meeting as at 20 June 2008, a portion of distributable profit created from net profit in the 2007 financial year amounting to EUR 2,424,501 was used to increase other profit reserves.

Pursuant to Article 230 of the Companies Act (ZGD-1) and the company's Articles of Association, on the compilation of its 2008 annual report, the company used EUR 1,039,580 of the net profit to increase reserves under the Articles of Association (with this creation reserves under the Articles of Association reached their maximum value, according to Articles of Association), while half of the remainder following the creation of reserves under the Articles of Association, totalling EUR 5,373,831, was used to increase other reserves.

Revaluation surplus

The revaluation surplus, amounting to EUR 6,806,518, shows the difference between the fair value of financial assets available-for-sale and their historical value. Changes in this surplus in 2008 and 2007 are shown in explanation 5.1.4 – Effect of financial investments on equity capital and performance.

Net profit per share

The basic net profit per share is calculated by dividing the net profit for ordinary shareholders (the numerator) – calculated as the total profit for the financial year minus corporate income tax and adjusted for deferred taxes and the fixed and variable dividend portions intended for payment to the preference share owner – by the weighted average number of eligible ordinary shares over for the period (the denominator).

The purpose of the basic net profit per share is to provide a benchmark to measure the participation of each ordinary share in the company's performance over the year.

Basic net profit per share

	2008	2007
Net profit for ordinary shareholders (in euros)	10,987,315	14,655,314
Average number of ordinary shares	1,936,229	1,936,229
Basic net profit per share (in euros)	5.67	7.57

The **diluted net profit per share** is calculated by adjusting the profit attributable to ordinary shareholders and the weighted average number of eligible ordinary shares to take into account the effects of all dilutive potential ordinary shares, which means that the net profit for ordinary shareholders (the numerator) was increased by the payment of dividends to owners of potential ordinary shares, while the denominator was increased by the weighted average number of potential ordinary shares.

A **potential ordinary share** is a financial instrument or another contract that gives the holder the right to ordinary shares. In order to calculate the adjusted (diluted) net profit per share, preference shares that can be exchanged for ordinary shares were defined as potential ordinary shares.

Potential ordinary shares are treated as adjusted when their exchange for ordinary shares would reduce the net profit per share.

Diluted net profit per share

	2008	2007
Net profit (in euros)	11,787,243	16,701,642
Average number of all shares	3,796,527	3,796,527
Diluted net profit per share (in euros)	3.10	4.40

As it is difficult with the owner of the participating preference shares – the Republic of Slovenia – to define the principle of exchanging preference for ordinary shares (no clear exchange ratio), the calculations above are for information purposes only, and assume a 1:1 exchange ratio.

Distributable profit

Formation and proposed use of distributable profit

in euros

	2008	2007
Net profit for financial year	11,787,243	16,701,642
+ net profit or loss brought forward	0	78
- increase of reserves under Articles of Association	1,039,580	3,340,328
- increase of other profit reserves	5,373,831	6,680,657
= distributable profit	5,373,832	6,680,735
- to dividends		4,176,179
- bonus for Supervisory Board members		80,055
- to other reserves		2,424,501
= remaining distributable profit		0

The Management Board will propose to the general meeting that the distributable profit for 2008 in the amount of EUR 5,373,832 be distributed as follows:

- EUR 1,632,507 of distributable profit allocated to dividends for holders of preference and ordinary shares, with EUR 832,579 for dividend payments to ordinary shareholders (EUR 0.43 per share) and EUR 799,928 for dividend payments to holders of preferred shares (the dividend was calculated on the basis of Article 8 of the articles of association and is equal to the dividend per ordinary share),
- EUR 3,741,325 of distributable profit allocated to other reserves.

5.1.9 Provisions and non-current accrued expenses and deferred revenues 1,613,137 euros

The company discloses the following provisions and non-current accrued expenses and deferred revenues:

- provisions for severance pay and loyalty bonuses for employees, the necessary level of which was determined through actuary calculations and
- non-current deferred revenues for grants received in 1993 and 1994 from the Slovenian national budget for property, plant and equipment; the amount of reduction (the company showed other operating revenues in the same amount) constitutes the calculated depreciation/amortisation of these assets in 2008; long-term deferred revenues were further reduced to the level of the current value of assets whose acquisition was financed with them (other operating revenues were also disclosed for this amount).

Changes in 2008

in euros

	1 Jan 2008	Utilisation	Decrease	Increase	31 Dec 2008
Provisions for loyalty bonuses	227,637	19,073	0	12,471	221,035
Provisions for severance pay	538,723	29,033	31,968	0	477,722
Non-current deferred revenues	1,551,266	233,759	403,127	0	914,380
Total	2,317,626	281,865	435,095	12,471	1,613,137

Changes in 2007

in euros

	1 Jan 2007	Utilisation	Decrease	Increase	31 Dec 2007
Provisions for loyalty bonuses	174,662	23,895	0	76,870	227,637
Provisions for severance pay	621,764	7,943	75,098	-75,098	538,723
Non-current deferred revenues	1,799,414	248,148	0	0	1,551,266
Total	2,595,840	279,986	75,098	76,870	2,317,626

Structure by maturity as at 31 December 2008

in euros

	Up to one year	One to five years	Over five years	31 Dec 2008
Provisions for loyalty bonuses	22,141	61,062	137,832	221,035
Provisions for severance pay	48,674	88,482	340,566	477,722
Non-current deferred revenues	144,293	541,041	256,046	914,380
Total	215,108	690,585	734,444	1,613,137

Structure by maturity as at 31 December 2007

in euros

	Up to one year	One to five years	Over five years	31 Dec 2007
Provisions for loyalty bonuses	19,399	56,294	151,944	227,637
Provisions for severance pay	37,258	86,296	415,169	538,723
Non-current deferred revenues	203,899	587,916	759,451	1,551,266
Total	260,556	730,506	1,326,564	2,317,626

5.1.10 Deferred tax liabilities 1,701,629 euros

Deferred tax liabilities cover the following items:

in euros

	2008	2007
Revaluation of financial investments to fair value	1,701,629	2,403,821
Transition to IFRS	0	425,853
Total	1,701,629	2,829,674

Changes in 2008 and 2007

in euros

	2008	2007
Balance as at 1 Jan.	2,829,674	2,771,136
Changes owing to revaluation of financial investments to fair value	-525,860	1,605,641
Change in liabilities owing to the sale or redemption of financial investments	-6,169	-1,437,838
Reduction owing to change in the tax rate	-170,163	-109,265
Cancellation of 1/3 of liabilities on transition to IFRS	-425,853	0
Balance as at 31. Dec.	1,701,629	2,829,674

Structure by maturity as at 31 December 2008

in euros

	Up to three months	Three months to one year	One to five years	Over five years	31 Dec 2008
Revaluation of financial investments to fair value	16,236	0	9,436	1,675,957	1,701,629
Total	16,236	0	9,436	1,675,957	1,701,629

Structure by maturity as at 31 December 2007

in euros

	Up to three months	Three months to one year	One to five years	Over five years	31 Dec 2007
Revaluation of financial investments to fair value	90	11,402	40,487	2,351,842	2,403,821
Transition to the IFRS	0	425,853	0	0	425,853
Total	90	437,255	40,487	2,351,842	2,829,674

5.1.11 Current liabilities and current accrued expenses and deferred revenues 4,295,775 euros

in euros

	2008	2007
Current trade payables	2,894,476	3,545,238
Advances received and prepayments by customers	25,090	10,109
Current liabilities to employees	804,760	1,219,659
Current liabilities to the government	119,682	206,985
Current liabilities for unpaid dividends	47,273	22,626
Other current liabilities	60,372	52,733
Current accrued expenses and deferred revenues	344,122	380,052
Total	4,295,775	7,518,312

Current liabilities to employees in the amount of EUR 804,760 relate to wages and reimbursement for transport and food costs for the month of December 2008. The pertaining liabilities from contributions for gross wages and tax on wages amounting to EUR 118,499 are shown in current liabilities to the state.

Current accrued expenses and deferred revenues include liabilities to employees for unused leave as at 31 December 2008 in the amount of EUR 319,322 (explanation 5.2.4).

Current trade payables

in euros

	2008	2007
Domestic trade payables	2,482,877	3,337,372
Trade payables to rest of world	411,599	207,866
Total	2,894,476	3,545,238

in euros

	2008	2007
Trade payables to suppliers for property, plant and equipment	1,929,437	2,739,047
Trade payables for working capital	965,039	806,191
Total	2,894,476	3,545,238

The disclosed trade payables as at 31 December 2008 had not yet matured for payment.

Structure by maturity as at 31 December 2008

	Up to three months	Three months to one year	31 Dec 2008
Current trade payables	2,810,416	84,060	2,894,476
Advances received and prepayments by customers	25,090	0	25,090
Current liabilities to employees	804,760	0	804,760
Current liabilities to the government	119,682	0	119,682
Current liabilities for unpaid dividends	47,273	0	47,273
Corporate income tax liabilities	0	408,269	408,269
Other current liabilities	60,372	0	60,372
Current accrued expenses and deferred revenues	172,061	172,061	344,122
Total	4,039,654	664,390	4,704,044

Structure by maturity as at 31 December 2007

in euros

	Up to three months	Three months to one year	31 Dec 2007
Current trade payables	2,749,304	795,934	3,545,238
Advances received and prepayments by customers	10,109	0	10,109
Current liabilities to employees	1,219,659	0	1,219,659
Current liabilities to the government	206,985	0	206,985
Current liabilities for unpaid dividends	22,626	0	22,626
Corporate income tax liabilities	0	2,080,910	2,080,910
Other current liabilities	52,733	0	52,733
Current accrued expenses and deferred revenues	190,026	190,026	380,052
Total	4,451,442	3,066,870	7,518,312

5.1.12 Potential assets and liabilities 1,056,547 euros

The off-balance-sheet records of the company disclose a potential liability arising from the transfer of 22,934 m^2 of farmland in the cadastral municipality of Grad worth EUR 235,427 to the Družba za svetovanje in upravljanje, d.o.o., surety provided to Feniksšped d.o.o., Brnik worth EUR 149,514 and bank guarantees worth EUR 660,992. Guarantees given to Feniksšped d.o.o., Brnik, as the major portion of guarantees, relate to security for the customs debt.

5.2 NOTES TO THE INCOME STATEMENT

5.2.1 Net sales revenues 38,623,232 euros

in euros

	2008	2007
Revenues from domestic sales of services	27,759,133	24,989,088
Revenues from sale of services in rest of world	10,800,451	11,330,689
Revenues from domestic sales of material	63,648	3,964
Total	38,623,232	36,323,741

5.2.2 Other operating revenues 1,329,343 euros

The company discloses under other operating revenues:

- profit generated through the sale of property, plant and equipment in the amount of EUR 546,199,
- revenues of EUR 636,885 from a reduction in long-term deferred revenues (explanatory note 5.1.9),
- write-off of liabilities for interest in previous years and damages received of EUR 114,291,
- revenues of EUR 31,968 from the coordination of the level of provisions for employee severance pay and loyalty bonuses.

5.2.3 Costs of services 6,639,596 euros

in euros

	2008	2007
Security costs	1,583,589	1,452,593
Advertising costs	627,501	623,757
Maintenance costs	889,967	821,283
Intellectual services	792,442	751,469
Student work and work though employment agency	722,007	513,852
Services related to performance of the basic business	413,195	319,640
Rental	302,455	44,768
Operating commission	242,467	231,944
Reimbursement of work-related costs	233,289	224,934
Other services	832,684	806,173
Total	6,639,596	5,790,413

5.2.4 Labour costs 12,074,803 euros

in euros

	2008	2007
Wages	8,358,363	7,880,889
Social security costs	1,351,780	1,273,740
Supplementary pension insurance	311,908	259,289
Tax on wages paid	173,756	303,464
Already included costs of unused leave as at 31 December	319,322	368,561
Other employee costs	1,559,674	1,448,902
Total	12,074,803	11,534,845

Wages

in euros

	2008	2007
Employee wages	7,301,883	6,881,841
Substitutes for wages and salaries	1,056,480	999,048
Total	8,358,363	7,880,889

Social security costs

in euros

	2008	2007
Compulsory pension and disability insurance	743,059	700,161
Other social security levies	608,721	573,579
Total	1,351,780	1,273,740

Other employee costs

in euros

	2008	2007
Travel expenses	476,928	381,695
Employee meals	553,687	485,385
Annual leave payment	430,766	355,877
Other labour costs	98,293	225,945
Total	1,559,674	1,448,902

5.2.5 Depreciation and amortisation 6,141,052 euros

in euros

	2008	2007
Amortisation of intangible assets	83,180	105,943
Depreciation of property, plant and equipment	6,057,872	4,935,104
Total	6,141,052	5,041,047

5.2.6 Financial revenues 1,883,584 euros

in euros

	2008	2007
Dividends	364,107	448,461
Dividends and interest on financial assets managed by banks	30,988	18,401
Capital gains - shares and participating interests	0	7,154,000
Capital gains - bonds	31,927	296
Capital gains - mutual funds	78	0
Interest on financial investments	1,381,755	1,209,214
Other interest	66,610	9,860
Foreign exchange gains/losses	8,119	5,134
Total	1,883,584	8,845,366

5.2.7 Corporate income tax and deferred taxes 3,159,584 euros

in euros

	2008	2007
Income tax levied	3,548,660	4,899,230
Deferred taxes	-389,076	30,574
Total	3,159,584	4,929,804

Effect of deferred taxes on performance

in euros

	2008	2007
Change in deferred tax liabilities on transition to IFRS	- 425,853	0
Change in deferred tax receivables from value adjustments of receivables	7,000	- 2,497
Change in deferred tax receivables from provisions for employee loyalty bonuses and severance pay	29,326	33,071
Change in deferred tax receivables from impairment of securities	451	0
Total	- 389,076	30,574

Effective corporate income tax rate

in euros

	2008	2007
Pre-tax profit	14,946,827	21,631,446
Anticipated corporate income tax at 22/23% rate	3,288,302	4,975,233
Reduction in revenues	- 117,462	- 102,327
Increase in expenses	102,207	108,855
Tax relief	- 103,558	-86,737
Transition to IFRS	373,663	0
Other adjustments	5,508	4,206
Deferred taxes	- 389,076	30,574
Corporate income tax	3,159,584	4,929,804
Effective tax rate	21.1 %	22.8 %

5.3 NOTES ON THE CASH FLOW STATEMENT

The cash flow statement is compiled using the indirect method (version II), on the basis of balance sheet items as at 31 December 2008 and 31 December 2007, the income statement for 2008, and additional data necessary for the adjustment of expenses and revenues. The indirect method of disclosing cash flow is characterised by the fact that instead of operating receipts and spending, it shows revenues and expenses (adjusted for revaluation and depreciation/amortisation), taxes, changes to net operating assets, accruals and deferrals, provisions and deferred receivables and tax liabilities.

Under cash funds, the company discloses only petty cash and sight deposits.

5.3.1 Cash flows from operating activities 10,348,692 euros

In 2008 the company's business activities generated EUR 10,348,692 in cash. This cash has been earmarked for the development and expansion of the airport and for the payment of dividends to shareholders.

5.3.2 Cash flows from investment activities - 5,809,911 euros

Net investment expenses were EUR 5,809,911 and resulted from investments in property, plant and equipment.

5.3.3 Cash flows from financing activities - 4,256,234 euros

Cash flows from financing activities relate in their entirety to the payment of dividends.

5.4 OTHER EXPLANATORY NOTES

Important events after the end of 2008

Because of the global crisis on financial markets and its effect on the Slovenian economy, there is a certain level of uncertainty relating to future events; given the current situation, it is virtually impossible to predict these events with any certainty.

Related parties

Related parties are the associated company, members of the Supervisory Board and members of the Management Board.

Relations with associated company

Aerodrom Ljubljana, d.d. generated revenues of EUR 500 in its business with Aerodrom Portorož, d.o.o. in 2008.

Relations with members of the Management Board and Supervisory Board

Gross earning of the Management Board in 2008

	in euros
Fixed earnings	222,000
Variable earnings	118,803
Other earnings	14,256
Total	355,059

The payment of variable earnings was approved by resolution of the Supervisory Board and took into account the successful performance of the company in 2007. Other earnings included allowances for the use of company vehicles for private purposes (EUR 12,226), accident insurance (EUR 150) and an allowance of EUR 940 per individual.

In 2008 members of the Supervisory Board were paid fees for participation at meetings and reimbursement of their travel expenses in a total amount of EUR 55,492, as well as a bonus by general meeting resolution in a total amount of EUR 75,523.

Ownership of associated individuals as at 31 December 2008

	Number of shares	Equity capital interest (%)
Drago Čotar	320	0.0084
Peter Marjan Habjan	150	0.0040
Igor Domevščik	107	0.0028
Franc Željko Župančič, MSc	101	0.0027

Disclosure in accordance with points 12 and 13 of Article 69 of the ZGD-1

The company did not have, neither 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 from them, be significant for an assessment of the financial standing of the company.

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

Earnings of employees by individual contract in 2008

	in euros
Fixed earnings	1,138,029
Variable earnings	35,427
Other earnings	24,004
Total	1,197,460

The variable part of earnings is that part which, pursuant to a Supervisory Board resolution, was paid to the former president of the Management Board in relation to the performance of the company in 2007. Other earnings include allowances for the use of company vehicles for private purposes (EUR 4,095), accident insurance (EUR 1,091) and an allowance (totalling EUR 18,818, or EUR 940 per individual).

Total payments to auditors

In 2008 we paid EUR 18,643 for auditing services and EUR 10,080 for tax advisory services.