ANNUAL REPORT 2017

Fraport Slovenija, d.o.o.

March 2018

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A WORD FROM THE GENERAL MANAGER

A record year brings progress and defines a clear future

The year of 2017 will shine brightly in the airport's history. We surpassed our previous record passenger numbers, and handled our largest cargo tonnage to date. We will build on our success and implement our future endeavors with our staff under the company's new name, Fraport Slovenija, d.o.o.

If we faced a slight decline in traffic in 2016, the year 2017 made us show and use all of our flexibility and know-how to operationally respond to the highest growth in the region, with increases of more than 19% in passenger traffic and 22% in cargo. The airport took care of 1,688,558 passengers in 2017, and handled 24,314 tonnes of cargo. The favourable economic situation, in Slovenia and worldwide, and some carefully weighed decisions made it possible to take advantage of the given opportunities, to create new ones, and thus have a successful financial year.

A substatial contribution to our growth came from Adria Airways, which increased its number of flights and its passenger numbers, while we also saw a strongly expansion in the presence of low-cost airlines. An increase in passenger numbers at Ljubljana Airport was also recorded by other scheduled airlines. Similarly the charter airlines also saw growth in passenger numbers. This cumulative growth had a positive impact on the company's performance. Operating revenues amounted to EUR 41,890 thousand, up 16.1% on the previous year. The increase in traffic was also followed by an increase in operating expenses. Nevertheless, EBIT was up 17.1% on the previous year at EUR 11,686 thousand, while net profit was up 6.6% at EUR 9,647 thousand.

The major business achievements of 2017 also include the go-ahead for the investment in the new passenger terminal. Construction will begin in 2018, and the new terminal will open its doors for our passengers and airlines in 2020. This important investment in basic infrastructure will keep pace with the growth in traffic, and will above all raise the level of service that we provide to our customers.

The aforementioned investment is a gateway to the implementation of our new corporate strategy, which was adopted last year and is based on four pillars of future business development: passenger transport, cargo transport, commercial activities and development of the Aviation Academy. Investment in the academy is continuing, and the first training at the new facility are expected in 2018. Our commercial activities, which include developing services of importance to our passengers at the airport itself, will be upgraded by the development of a business zone alongside the airport. The launch of the latter will be strongly facilitated by the new bypass road, which was completed in 2017 and opened to public early in 2018. Fraport Slovenija was one of the promoters and investors in this project, as the development of the business zone will strengthen our competitive position in the region. As a result, we will be able to provide our passengers and business partners with access to the most advanced airport and airport related services. This will also have a beneficial impact on the local economy, with additional services including logistics and hotels. With the new strategy, Fraport Slovenija also adopted the updated Airport Masterplan for the period to 2040.

Other highlights of 2017 include the certification for airport infrastructure and for the airport operator, which was issued by Slovenia's Civil Aviation Agency after a procedure lasting several years. We are one of the first European airports to have been fully certified under the European Aviation Safety Agency's new standards. We also continued our investment in sustainable development, and again received an award for our sustainability report. Because we are fully aware that sustainable development relies on investment in our staff, their knowledge and welfare, we continued to develop our HR policy and confirmed our status as one of the best employers in the country. Our comprehensive and future oriented performance is being attained through the evergrowing knowledge and expertise of our staff and their continous pursuit of our company's values, vision and mission.

In 2016, we announced investments aimed to achieve traffic growth based on the modified tariff system which we implemented in 2017. They proved to be justified and correct. We will continue our investment policy in new routes, building on existing business partnerships and nurturing new ones. The implementation of the company's new strategy, the aforementioned investments in the passenger terminal, the laying of foundations for the development of cargo traffic, and the co-investment in the development of the business zone alongside the airport will have a positive impact on our competitive position among airports in the region, and will above all provide passengers with the largest possible range of quality services.

Under our new name Fraport Slovenija, d.o.o., with a higher profile and on the basis of succesful performance, we now enter a new investment cycle, which will vastly improve our infrastructure, facilitate our growth and confirm our competiveness.

Zmago Skobir,
Managing Director

Investment in the new passenger terminal is a gateway to the implementation of our new corporate strategy, which was adopted last year and is based on four pillars of future business development: passenger transport, cargo transport, commercial activities and development of the Aviation Academy.

BUSINESS REPORT

1 INTRODUCTION

1.1 HIGHLIGHTS OF OPERATIONS

	2017	2016	Index 17 / 16
TRAFFIC			
Number of passengers	1,688,558	1,411,476	119.6
Aircraft movements	34,444	32,701	105.3
Cargo (in tonnes)	24,314	19,802	122.8
ANALYSIS OF PERFORMANCE **in thousand euros**			
Operating revenues	41,890	36,069	116.1
Net sales revenue	41,673	35,991	115.8
Operating expenses	30,203	26,090	115.8
depreciation/amortization	16,042	14,053	114.2
EBIT - operating profit	11,686	9,978	117.1
Net finance income/expenses	-113	634	/
Pre-tax profit	11,573	10,612	109.1
Net profit	9,647	9,048	106.6
Total comprehensive income for the period	9,605	8,647	111.1
Value added (operating revenues - costs of materials and services - other operating expenses excluding revaluation operating expenses and provisions)	30,768	26,760	115.0
BALANCE SHEET **in thousand euros**			
Assets as at 31.12.2017/31.12.2016	109,706	116,810	93.9
Equity as at 31.12.2017/31.12.2016	93,546	102,385	91.4
EMPLOYEES			
No. of employees as at 31 December	428	399	107.3
Average no. of employees based on hours worked	410.3	394.6	104.0
INDICATORS			
EBITDA margin	0.38	0.39	98.3
EBIT margin	0.28	0.28	100.8
Value added per employee - in euros (value added/average no. of employees based on hours worked)	74,989	67,816	110.6
Net profit per employee - in euros (net profit/average no. of employees based on hours worked)	23,511	22,929	102.5
Net ROE - in % (net profit/average equity excluding net profit for the period)	10.36%	9.35%	110.7
Net ROA - in % (net profit/average assets)	8.52%	7.89%	108.0

1.2 SIGNIFICANT EVENTS

SIGNIFICANT EVENTS OF 2017

JANUARY

On **13 January 2017** a contract was signed on the purchase of a hangar.

Fraport's Aviation Academy (AAC), which is operated by Fraport Slovenija, was an exhibitor at the world's largest security and safety fair in **January**. A wide range of courses on protection and rescue and on crisis management were presented to more than 33,000 visitors from all over the world at Intersec Dubai 2017. In addition to our services and partners, we were also able to promote Slovenia with fair visitors as a green destination with a rich natural and cultural heritage.

APRIL

The new prices for airport services and ground handling services entered into force on **1 April 2017**, having been approved by the airport users' committee.

On **4 April 2017** Transavia, a Dutch low-cost airline, began operating a route to Amsterdam with four flights a week.

The company unveiled the Šenčur green noise barrier on **6 April 2017**. The site of the noise barrier was visited by Dr Peter Gašperšič, the infrastructure minister, and Ciril Kozjek, the mayor of Šenčur, who viewed the completed project, which is just one of the steps that the company is taking in its efforts to further reduce noise pollution in the vicinity of the airport.

The change in the company's name to Fraport Slovenija, upravljanje letališč, d.o.o. was registered on **20 April 2017**. The renaming and the new corporate image in line with the guidelines of the Fraport Group together represent the final major step in the more-than-two-year process of integration with the group.

At its session of **20 April 2017** the investors' committee passed a resolution giving the go-ahead for the project to expand the passenger terminal.

MAY

Fraport Slovenija sold its 30.5% participating interest in Aerodrom Portorož on **16 May 2017**.

JUNE

Passenger numbers in the first half of the year were up 20.8% on the same period of 2016, while the number of aircraft movements was up 11.9%. Cargo traffic was up 13.5%. The three most popular destinations in the first half of 2017 were London (114,915 passengers), Frankfurt (64,283 passengers) and Istanbul (62,547 passengers).

Broken Wing 2017 was held at the airport on **21 June 2017**, an exercise in which firefighters, military and civil aviation investigators, police officers and representatives of the Administration for Civil Protection and Disaster Relief practised rescue and investigation procedures for use in the event of an aviation accident. The exercise was organised in conjunction with Fraport Slovenija by the standing committee for the investigation of aviation accidents and military aircraft incidents at the Ministry of Defence and the National Forensic Laboratory at the Ministry of the Interior. There were demonstrations of procedures to fight fire in wreckage, to secure the accident site and evidence, to identify and neutralise dangerous items, to identify victims and to investigate the accident.

SEPTEMBER

September was a record-breaking month. Traffic during the first nine months of the year was up 20.4% on the same period of the previous year, as the number of aircraft movements rose by 11.4% and total cargo tonnage increased by 16.5%.

But notwithstanding these records, of which all of us at the airport are very proud, we will remember the ninth month of 2017 for the gold medals won by our national basketball team in convincing style at EuroBasket in Istanbul. Eleven flights to Turkey were added to the regular Sunday schedule, with the largest of them, a Boeing 777-300, carrying 332 fans. On their return to Slovenia the champions were welcomed at the airport by around two thousand people.

OCTOBER

Adria Airways launched a service to Kiev on **29 October 2017**, with three flights a week.

NOVEMBER

As part of the 18th contest for professional awards in business and financial reporting organised by Finance, a newspaper, on **14 November 2017** the company won an award for the best annual report in the area of sustainable development, and came third for the accounts section of its annual report.

On **29 November 2017** Fraport Slovenija was again named among the top employers in year 2017. The company also received an award for being the best employer in the transport and logistics sector.

DECEMBER

The existing FIS was replaced with SKYport, a new information system, on **6 December 2017** as part of the initial airport operation plan (IAOP) project, which is being co-financed by the EU. The IAOP project is part of the Connecting Europe Facility, in which the company has been included since 2014.

On **11 December 2017** the investors' committee adopted the corporate strategy for the period of 2017 to 2025, and the airport masterplan for the period of 2017 to 2040.

The Civil Aviation Agency issued Fraport Slovenija with aerodrome and aerodrome operator certification on **18 December 2017** in accordance with Regulation (EU) No 216/2008 and Commission Regulation (EU) No 139/2014.

Passenger numbers reached 1,676,032 on **27 December 2017**, the highest figure in the airport's history, breaking the record from 2008.

A total of 1,688,558 passengers were carried in 2017, the highest number in the history of Ljubljana Airport. The increase in passenger numbers was the highest of any airport in the region, at 19.6%.

SIGNIFICANT EVENTS AFTER THE END OF 2017

JANUARY 2018

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

A new direct service from Ljubljana to Berlin was announced by easyJet, a leading European low-cost airline, on **30 January 2018.** The summer route will operate three flights a week from 9 August 2018.

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

FEBRUARY 2018

Slovenia's Olympic torch arrived at the airport on **1 February 2018**, where it remained burning until the end of the games. Ljubljana Jože Pučnik Airport is a gold partner of the Slovenian Olympic Committee, which was one of the reasons that the airport was decorated with the Olympic rings. In addition to the torch, the airport also featured a book of well-wishes, where passengers and visitors could express their best wishes and support our sporting heroes as they fly to far-off Korea.

MARCH 2018

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

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

Company Fraport Slovenija, d.o.o., is the operator of Ljubljana Airport, the central Slovenian international airport which covers 97% of the total passenger traffic in Slovenia. It is an economically viable and economically and socially responsible company with over 50 years old tradition. The company's principal line of business encompasses the operation and management of the airport, the development of airport infrastructure, the provision of ground handling services, and the provision of various commercial services.

The location of the airport is ideal for development of air connections and activities related to airline industy, as it is located at the crossroads of traffic flows between the Pannonian Basin and the Po Valley, and the corridor from the Middle East to the European Union, running trough the Istanbul Strait. The airport's catchment area encompasses Slovenia, the southern part of Austria, the north-eastern part of Italy and part of Croatia, with approximately four million inhabitants in the aforementioned region. The route map extends from the main hubs in western Europe to destinations in the Balkan peninsula. In addition to its central national role, the airport is also a regional airport and a hub for the Balkans, both in passenger transport and in express freight. With a 3,300 meters runway and advanced equipment, the airport accommodates Category ICAO IIIb landings in conditions of reduced visibility.

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

1.3.1 SIGNIFICANT INFORMATION

Company name	**Fraport Slovenija, upravljanje letališč, d.o.o.**
Business address	Zg. Brnik 130A, 4210 Brnik - Aerodrom, Slovenija Phone: +386 (0)4 206 10 00 email: info@fraport-slovenija.si, http://www.fraport-slovenija.si
Activity code	52.230 – other auxiliary activities in air transport
Company size	large company according to the Companies Act
Management of the company	Zmago Skobir, managing director
Procurators of company	Robert Gradišar, COO Babett Stapel, CFO/CCO
Number and date of entry of conversion to limited liability company in companies register	Entry 2015/15628 of 14 April 2015
Registration number	5142768000
VAT ID number	SI12574856
Nominal capital as at 31.12.2017	15.842.626,44 EUR
Sole member	Fraport AG Frankfurt Airport Services Worldwide
Transaction accounts	UniCredit Banka Slovenija d. d.: SI56 2900 0000 3291 455 Nova ljubljanska banka, d. d. Ljubljana: SI56 0292 1001 4174 945 Gorenjska banka, d.d. Kranj: SI56 0700 0000 3282 958
Financial year	calendar year
Number of employees as at 31.12.2017	428

1.3.2 ACTIVITIES

The company's principal lines of business encompass airport management and operation, development of the airport infrastructure, provision of ground handling services and various commercial activities.

1.3.3 MISSION, VISION, VALUES AND STRATEGIC OBJECTIVES

Mission

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

Vision

Our vision is to be:

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

Values

Our most important values are aviation safety, quality of services and sustainable development.

Aviation safety is priority for the company and a fundamental condition for long-term business operations in aviation industry. Therefore, the company meets all safety conditions required by law at the national level and at the EU level, as well as the internationally recognized aviation standards.

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

Sustainable development. In addition to an active role in providing public interest of safe, regular and smooth air traffic, the company always keeps in mind the fact that aviation industry influences broader social consequences. For this reason, the company's operations and development are planned in the manner to support the development of our immediate and a wider environment and not to cause any harmful consequences.

Startegic objectives of the company

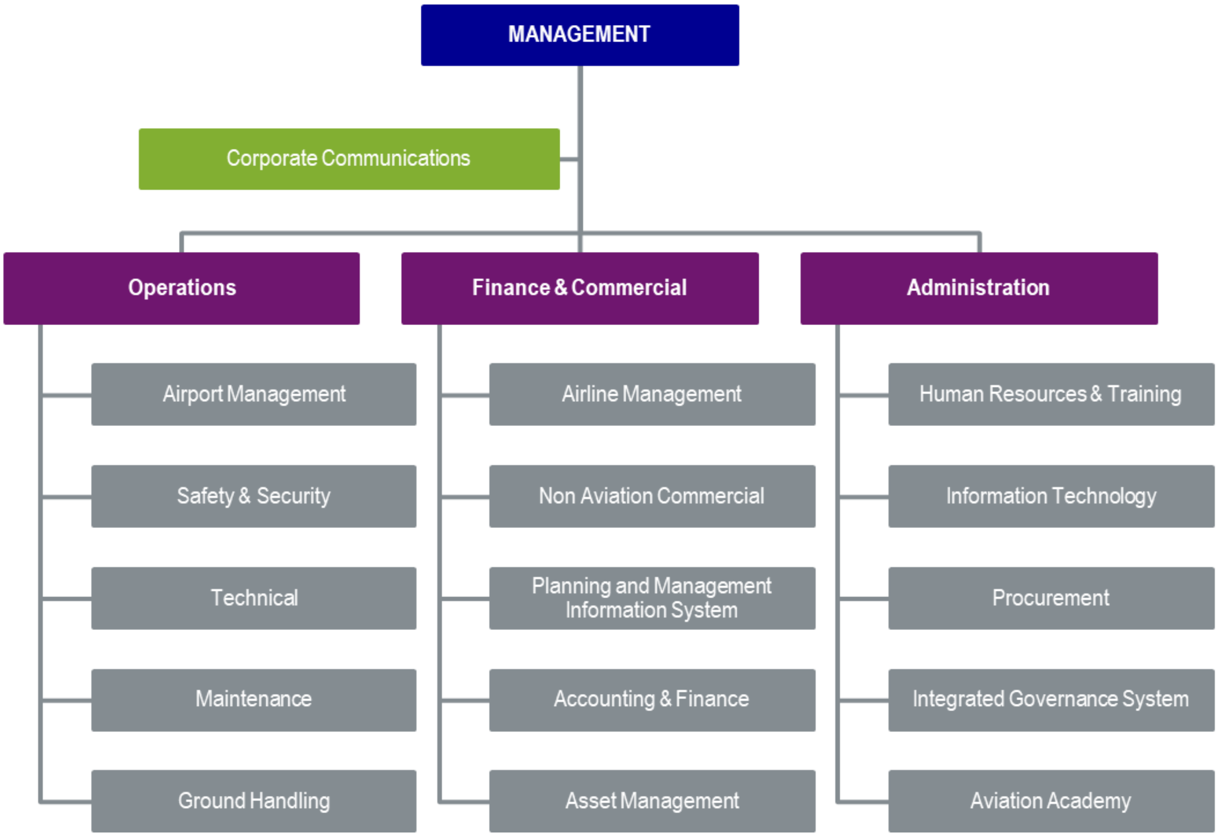
To accomplish its mission and vision, Fraport Slovenija has set the following strategic objectives for the 2017 to 2025 period:

1. Increasing traffic of passengers, aircraft movements and cargo.
2. Increasing revenues, particularly from commercial services.
3. Ensuring the essential investment in infrastructure and equipment to allow for further development of traffic.

4. Providing development opportunities for logistic players and reliable handling to become the preferred air-cargo hub in the western Balkan region.
5. Developing investment opportunities in Airport city and attracting different businesses.
6. Developing Fraport Slovenija as well-known provider for training in the field of aviation.

1.3.4 ORGANISATION

Company structure of Fraport Slovenija, d.o.o., effective from 1 November 2017



1.3.5 DATA OF COMPANY UNDER THE MAJORITY OWNERSHIP OF FRAPORT SLOVENIJA, D.O.O.

Company	Address	Ownership interest in %		Book value of the investment in thousands euros	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
Aerodrom Portorož, d.o.o.*	Sečovlje 19, Sečovlje	0.00	30.46	0	0

* The nominal value of the investment is 1,251,878 euros, for which an impairment in the full amount was created in 2009

Investment in 30,46 percantage share of affiliated company Aerodrom Portorož, d.o.o., was sold in 2017.

Detailed disclosure is presented in chapter 4.3., 5.1.3. of Financial report.

1.3.6 INTERNATIONAL ACTIVITIES

In 2017 the company continued its activities as a member of various expert groups operating under the aegis of ACI Europe. The advisor to the Management Board is a member of the Advisory Group within the framework of the Policy Committee, whose role is drawing up strategic guidelines for the management of ACI Europe, and coordinating and liaising between other committees and working groups. We remain members of the Aviation Security Committee, which deals with the issue of airport security and proposes new solutions in this area. We continued our membership in the Regional Airports' Forum, an interest group that draws up proposals for small and medium-sized airports, and in the ACI Communication Group, which brings together communications experts at European airports. We are also a member of the Digital Communications Forum.

1.4 CORPORATE GOVERNANCE STATEMENT

Pursuant to the provisions of the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the Management of Fraport Slovenija, d.o.o. hereby provide the following Corporate Governance Statement for the period from 1 January 2016 to 31 December 2016.

The sole member in Fraport Slovenija is a public limited company that is committed to upholding the corporate governance code for public limited companies in the Federal Republic of Germany.

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

The company does not pursue a specific diversity policy.

1.4.1 INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT IN THE COMPANY

Fraport Slovenija, d.o.o. has a diverse mechanism of internal controls and risk management in connection with the financial reporting process. The aim of the system of internal controls is to comply with applicable legislation and regulations, to meet the company's strategic objectives and to implement its strategy, to reduce risks in connection with the company's operations, and to ensure the accuracy, completeness and reliability of financial reporting. The aforementioned system was adapted to the group's system of internal controls. In parallel the company continued in 2017 the re-engineering of business processes, which is tailored to its new organisational scheme. All contacts between various processes and newly established processes were identified and defined, depending on the needs of the activity. Each business process also includes reference documentation as the basis for its implementation. We created a new integral whole for comprehensive management of the processes and their corresponding risks and internal controls. The company has made a start on defining efficiency and performance indicators, and methods for controlling and measuring the effectiveness of individual processes. A systemic approach was taken to the risks that can arise in individual activities within processes, and to the internal controls for managing these risks.

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

Internal auditing

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

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

External auditing

On the basis of a resolution of the Investors Committee passed on 20 April 2017, the company’s financial statements for 2017 were audited by PwC Slovenija, d. o. o., Ljubljana.

1.4.2 COMPOSITION AND FUNCTIONING OF MANAGEMENT AND SUPERVISORY BODIES

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

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

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

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

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

Investors Committee

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

The Investors Committee consists of three members appointed by the sole member. The board consists of: Christoph Nanke (chairman), dr. Pierre Dominique Prümm (chairman deputy) and Kai Peter Holger Zobel (member), all from the company Fraport AG Frankfurt Airport Services Worldwide. The Investors Committee has the authorisations set out by the sole member's resolution establishing an Investors Committee, or by the company's bylaws when such bylaws are adopted by means of a resolution by the sole member Fraport AG.

Management of the company

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

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

Business Advisory Board

Key tasks of the Business Advisory Board are advising and providing expert support to the senior management, the Investors Committee and the owner on matters of importance to the company's development, key economic subjects, the aviation and airport sector, and other significant challenges to the company's business policy. The Business Advisory Board held one meeting in October 2017, at which it discussed about the further aviation and commercial development of the company and the involvement of the company in the strategy of Slovenian tourism.

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

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

2 COMPANY OPERATIONS IN 2017 AND PLANS FOR 2018

2.1 SITUATION IN EUROPEAN AVIATION

Aviation is now of key importance, as evidenced by this year fastest growth of the last 13 years. It is driving economic growth, creating jobs, promoting trade and allowing people to travel.

The European aviation sector accounts for 26% of the global market, and contributes EUR 510 billion to GDP in Europe, supporting 9.3 million jobs across the continent.

The European aviation sector must remain competitive in global terms, and must take advantage of the opportunities presented by the changing global economy. The Aviation Strategy for Europe represents an ambitious vision for the future of European aviation. It aims to strengthen the European economy and to reinforce Europe's industrial base and its leading global position in aviation, while addressing environmental and climate challenges.

The EU is using the strategy to improve market access and investment opportunities for European aviation in major markets overseas, as it is helping to strengthen its presence at the international level and to ensure open market conditions for all EU airlines. The EU is achieving changes by increasing capacity, improving safety and reducing costs in the process, while reducing environmental footprint. Despite these improvements, disruptions to traffic caused by adverse weather conditions, technical faults, extreme events, emergencies and industrial action are continuing to seriously hinder air transport in Europe and across the world.

Airport infrastructure of sufficient quality and capacity is the underlying basis for ensuring connectivity, and thereby realising the European Commission's aviation strategy. Airports cover the related costs by charging fees to airlines. It is therefore of vital importance that legislation in this area keeps pace with the rapid market development, limits the interventions of legislators to the minimum possible degree, and ensures the realisation of the long-term interests of the end users.

The penetration of the aviation market by low-cost airlines has continued: they are developing new business models, such as connecting flights from smaller airports to larger airports and trans-Atlantic flights. The development of such models could have in the future a major impact on the performance of small airlines and regional airports.

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

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

2017 marks the best year for European airports since 2004, when air traffic was boosted by the accession of 10 countries to the EU – the single largest expansion of the bloc. That parallel is quite something when you consider the current climate includes Brexit and all its uncertainties.

According to the general director of ACI Europe, this performance comes on top of several years of dynamic growth and shows that demand for air transport keeps outperforming the economy and defying geopolitical risks – for now. It is quite impressive to see that even in the more mature EU market, passenger traffic since 2012 has increased by close to +30%. Such significant growth is putting much pressure on airport facilities and staff with more and more airports now reaching their capacity limits - especially during peak hours.

Passenger traffic at airports in EU countries increased by 7.7%, an improvement on the figure of 6.7% recorded in 2016. Airports in eastern and southern Europe led the way, with growth in double digits. Airports outside EU countries recorded an average increase in traffic of 11.4%, compared with a decline of 0.9% in 2016, as Russian and Turkish airports saw the greatest revivals.

The top five European airports welcomed an additional 18 million passengers in 2017, as passenger traffic increased by 30% over the last five years, and by 8.5% in the last year alone, while the number of aircraft movements rose by 3.8% and cargo tonnage increased by 8.5%, which reflects the cycle of sustained, synchronised growth in the global economy, Europe in particular. This is moving us towards increasingly widespread and evident limits of airport capacity.

The highest growth among the largest airports was recorded by Amsterdam Schipol (7.7%), which reinforced its third-place ranking with 68.5 million passengers, just behind Paris Charles de Gaulle (69.5 million passengers, up 5.4%). London Heathrow remains the busiest European airport with 78 million passengers (up 3%), while Frankfurt (64.5 million passengers, up 6.1%) announced the second-largest capacity and remains in fourth place, followed by Istanbul Atatürk (63.9 million passengers, up 5.9%). These rankings are likely to change in 2018, as Amsterdam Schipol has reached the limits of its capacity, while growth at Istanbul Atatürk is accelerating and it is expanding its capacity.

The comments by the leading airports are optimistic, and all indicators suggest continuing growth in the coming months, which will most certainly come at a slower pace. The positive news is that the European economy and the Eurozone are ready for further expansion. By contrast, rising oil prices and consolidation of ownership are having a major impact on aviation firms. Potential terrorist threats cannot be excluded, along with global political instability and Brexit. All of these risks originate in global trends, which could alter airport performance over the long term.

2.2 ECONOMIC SITUATION IN SLOVENIA

Economic activity continued to increase in the majority of sectors in Slovenia in 2017, largely as a result of faster growth in exports and investment. The rise in the workforce employment and the fall of unemployment have continued, while wage growth has recently increased after several years of modest levels. According to initial estimates, Slovenia recorded economic growth of 5% last year.

Faster growth in exports was encouraged by strengthened growth in foreign demand in the wake of an improvement in the economic situation in the majority of Slovenia's major trading partners. Growth in exports is also forecasted for the year ahead, when similar growth in foreign demand is expected along with a continuation of export efficiency, while import efficiency is also improving.

Exports over the first eleven months of 2017 were up 11.2% in year-on-year terms, primarily as a result of higher exports of transport services and spending by foreign visitors.

Slovenia recorded growth in imports of more than 14% in 2017, while the increase in exports (of more than 13.1%) was largely attributable to motor vehicles and machinery, and other categories of products and services.

Slovenia also saw record numbers of arrivals by foreign visitors (up 13%) and overnight stays (up 11%).

Analysts' current forecasts are being raised: Slovenia is expected to record economic growth of between 3.5% and 4%. Growth will continue to be driven by exports, gross investment and consumption.

The IMF is also revising its forecast for Slovenia upwards, but is simultaneously warning that the medium-term outlook is not entirely favourable, primarily on account of weak productivity, demographic trends, and excessive private and public debt in certain countries.

2.3 MARKET POSITION AND MARKETING ACTIVITIES OF THE COMPANY

2.3.1 MARKET POSITION

Fraport Slovenija operates in an extremely competitive environment, as evidenced by the growth recorded by all airports in the region in 2017. In the fiercely competitive environment of six neighbouring airports, the most notable are Venice and Zagreb, owing to their superior route networks.

Accessibility and good road links allow passengers from our potential catchment area within a radius of 250 km to constantly and quickly tailor their travel habits and their choice of airline and airport to the prices of air tickets, and they prefer to make their choice based on other personal benefits.

Ljubljana airport and the airlines at the airport are often chosen by passengers travelling on business, for leisure or personal reasons. Airports' marketing activities are important, but they are not the only factor in growth in passenger numbers, airline presence and cargo tonnage. Given the small size of the market and individual market segments, and the diverse travel needs of passengers in the region, Fraport Slovenija's marketing policy focuses on all passenger segments.

The strategy of sustainable growth in Slovenian tourism for the period of 2017 to 2021 was adopted last year, and highlights the importance of new air routes. It will subsequently be necessary to define a development model for increasing Slovenia's air access.

Fraport Slovenija is encouraging the necessary definition of key markets for Slovenia's inward tourism, and the identification of ways and means to secure sufficient financial resources to promote Slovenia as a destination, which is also a prerequisite for reducing airlines' business risks in launching new air services to Slovenia.

2.3.2 TRAFFIC AND AIRPORT SERVICES

High growth throughout the year 2017 ended with record passenger numbers and record cargo tonnage. A total of 1,688,558 passengers were served by Slovenia's largest airport in 2017, up 19.6% on the previous year. The number of aircraft movements was up 5.3% on the previous year.

With additional flights serving Balkan destinations, in 2017 Ljubljana strengthened its role as a hub with good connections between the Balkans and western Europe. The airport thus saw a significant rise in the number of transfer passengers, who accounted for more than 15% of total passenger traffic in 2017. The summer timetable featured services from Ljubljana to 25 destinations in 20 countries with more than 240 regular flights per week and to 22 direct destinations in 18 countries with more than 210 regular flights per week in winter season.

One airline that made a major contribution to the growth in passenger traffic was Adria Airways, which after consolidating its network increased its number of flights in 2017, thereby raising its passenger numbers by 15.5% from 2016. in October Adria Airways launched also a service to the Ukrainian capital Kiev flying three times a week.

There was also a significant increase in the presence of low-cost airlines. Low-cost airlines accounted for 18.1% of total passenger numbers. The growth in this segment was largely attributable to Transavia, a new airline, which launched a scheduled service between Ljubljana and Amsterdam. Another low-cost airline, easyJet, also strengthened its presence, operating a service to two London airports (Gatwick and Stansted) throughout the year. As in previous years, Wizz Air successfully operated services from Ljubljana to Brussels Charleroi and London Luton.

An increase in passenger numbers was also recorded by other scheduled airlines in 2017. Similarly to the scheduled airlines, the charter airlines also saw growth in passenger numbers. In the summer the largest number of charter services were to Mediterranean destinations, in Greece, Turkey and Tunisia.

Fraport Slovenija's market activities were also a factor in the increase in foreign airlines' traffic, which was up 26.5% in 2017. By organising joint advertising campaigns with airlines, the company succeeded in convincing passengers to choose our airport for their journeys. As in previous years, the company again was advertised in the brochures of its partner tourism agencies in 2017.

	Realisation		Index	Proportion in (%)	
	2017	2016	17 / 16	2017	2016
NO OF PASSENGERS	**1,688,558**	**1,411,476**	**119.6**	**100.0**	**100.0**
PUBLIC TRANSPORT	1,683,071	1,404,831	119.8	99.5	99.7
Domestic carriers	985,555	853,534	115.5	60.5	58.4
Foreign carriers	697,516	551,297	126.5	39.1	41.3
GENERAL AVIATION	4,506	3,811	118.2	0.3	0.3
OTHER	981	2,834	34.6	0.2	0.1
AIRCRAFT MOVEMENTS	**34,444**	**32,701**	**105.3**	**100.0**	**100.0**
PUBLIC TRANSPORT	26,045	23,181	112.4	70.9	75.6
Domestic carriers	17,166	15,069	113.9	46.1	49.8
Foreign carriers	8,879	8,112	109.5	24.8	25.8
GENERAL AVIATION	7,319	8,300	88.2	25.4	21.2
OTHER	1,080	1,220	88.5	3.7	3.1
MTOW	**1,249,795**	**1,114,277**	**112.2**	**100.0**	**100.0**
PUBLIC TRANSPORT	1,166,018	1,026,950	113.5	92.2	93.3
Domestic carriers	680,294	595,956	114.2	53.5	54.4
Foreign carriers	485,724	430,994	112.7	38.7	38.9
GENERAL AVIATION	29,990	28,391	105.6	2.5	2.4
OTHER	53,787	58,936	91.3	5.3	4.3
CARGO TRANSPORT (in tonnes)	**24,314**	**19,802**	**122.8**	**100.0**	**100.0**
Aircraft	10,961	9,093	120.5	45.9	45.1
Truck	11,362	9,202	123.5	46.5	46.7
Mail	1,367	1,286	106.3	6.5	5.6
Other	625	221	282.8	1.1	2.6

Ljubljana Airport handled 24,314 tonnes of cargo in 2017. Cargo tonnage was up 22.8% on the previous year, as air tonnage increased by 20.5% and truck tonnage increased by 23.5%. In the favourable economic situation, the company recorded high growth in cargo tonnage on the import side, and even more pronounced growth on the export side. In addition to scheduled cargo flights, the airport welcomed four cargo flights operated by Antonov An-124s, one of the world's largest aircraft.

Commercial activities

In its commercial activities the company was focused a great deal on improving and expanding the range of catering and retail services for passengers at the terminal.

One new food & bevarage unit was opened in the Schengen section of the terminal, while two food & bevarage units and one retail unit in the departures lounge were renovated, more attractive locations were found, and the services were tailored more to the current requirements of the market. In addition, with certain food & bevarage partners new contracts were signed. Collaboration with providers of shuttle transports and car sharing was also continued and strengthened, whereby further increasing the value of the combination of electric mobility and shared use.

Last year we actively approached to real estate management, most notably the purchase of a hangar for garaging aircrafts, and land located centrally in the airport, which will allow on-going development of airport activities and additional commercial services, and will have a positive impact on the local economy.

In 2017 the company again successfully cooperated with existing partners and with various organisers of international events. An innovation was brought to the car parks, in the form of karting. There were numerous successes recorded in the company's commercial activities, such as the European launch of the Renault Alaskan, and other various thematic events held by Slovenian and foreign firms in the passenger terminal and in the conference halls, while the airport was also used as a location in a variety of movie spots and commercials for Slovenian and foreign companies.

A high-profile reception was organised in 2017 for Slovenia's gold medal winning men's basketball team, who were welcomed at the airport by around two thousand people. The arrival of the Olympic torch at the airport in early February gave a successful send-off to Slovenia's athletes leaving for the 2018 Winter Olympics in PyeongChang.

BETTER SURVEYS, BETTER SERVICES

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

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

In addition to systematic monitoring, two other methods are used to support the determination of user satisfaction. Mystery shopping was used to check the quality of various services at the airport, whether provided by Fraport Slovenija or by external partners.

Another method for determining passenger opinion of the quality of service at the airport was the fun, user-friendly device, nicknamed Sophie. By pressing a button corresponding to one of four different levels of satisfaction, customers are able to express their opinion about the quality of a service or facility in a quick and easy manner.

2.4 ANALYSIS OF PERFORMANCE

2.4.1 OPERATING PROFIT

in thousand euros	Realisation 2017	Realisation 2016	Index R17 / R16	Proportion (in %) R17	Proportion (in %) R16
Operating revenues	**41,890**	**36,069**	**116.1**	**100.0**	**100.0**
Net sales revenue	41,671	35,989	115.8	99.5	99.8
Other operating revenues	219	80	274.7	0.5	0.2
Operating expenses	**30,203**	**26,090**	**115.8**	**100.0**	**100.0**
Costs of materials and services	10,717	9,072	118.1	35.5	34.8
Costs of materials	1,689	1,643	102.8	5.6	6.3
Costs of services	9,029	7,429	121.5	29.9	28.5
Labour costs	13,073	12,529	104.3	43.3	48.0
Depreciation/amortisation	4,356	4,075	106.9	14.4	15.6
Other operating expenses	2,057	415	495.9	6.8	1.6
Operating profit before interest, taxes and depreciation/amortization	**16,042**	**14,053**	**114.2**	**38.3**	**39.0**
Operating profit - EBIT	**11,686**	**9,978**	**117.1**	**27.9**	**27.7**
Net finance income/expenses	**-113**	**634**	**-17.8**		
Finance income	239	1,053	22.7		
Finance expenses	352	419	84.0		
Profit (or loss) before tax	**11,573**	**10,612**	**109.1**		
Income tax expense	1,819	1,621	112.2		
Deferred tax	108	-57	-187.5		
Net profit	**9,647**	**9,048**	**106.6**		

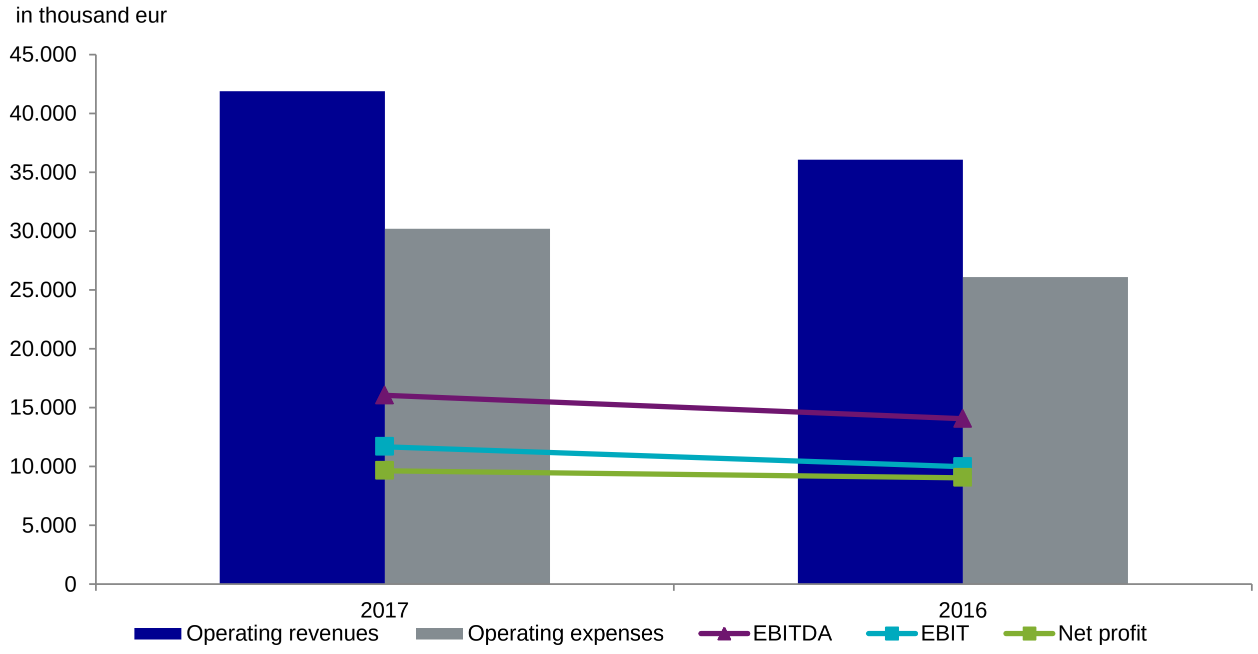
Fraport Slovenija performed very well in 2017, ending the calendar year with record passenger numbers and record cargo traffic, and introducing new commercial activities. The highlights of the financial year included new routes and increased frequencies on established routes, charter airlines, the purchase of new rental space and other commercial activities.

We ended the year 2017 with profit before interest, taxes and depreciation (EBITDA) in the amount of EUR 16,042 thousand, up EUR 1,989 thousand on the same period last year.

Operating revenues amounted to EUR 41,890 thousand, up 16.1% on 2016. Operating expenses amounted to EUR 30,203 thousand, up 15.8% on 2016.

EBIT amounted to EUR 11,686 thousand, up 17.1% on 2016. Finance income has decreased for EUR 814 thousand due to the sale of the majority of non-current financial assets in 2016 and means negative finance result in 2017.

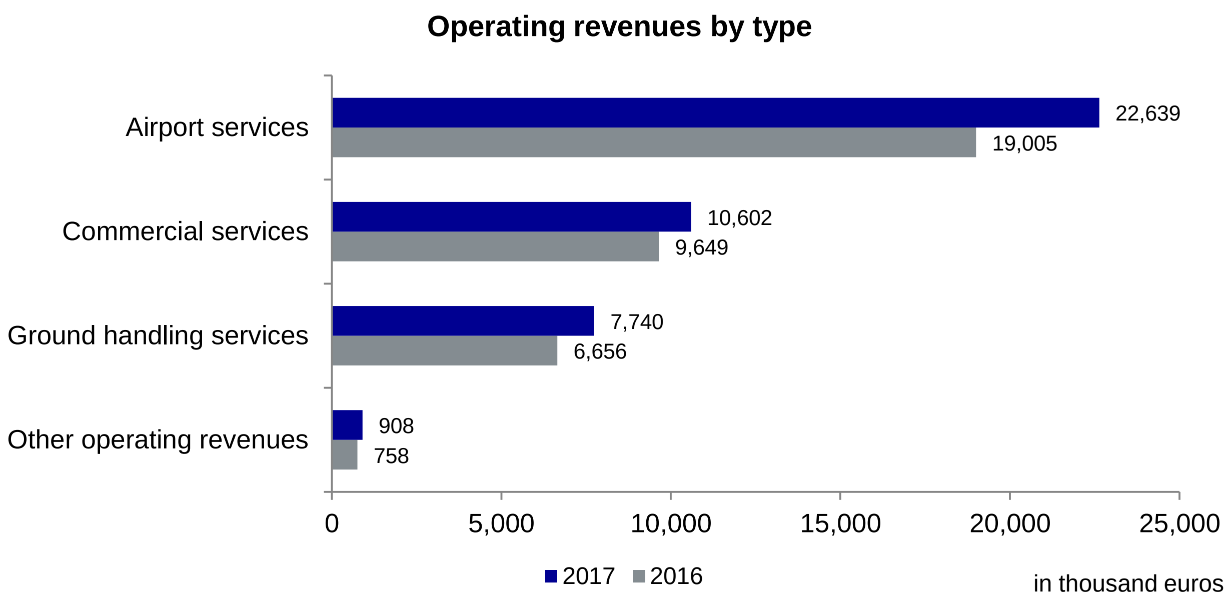
Pre-tax profit amounted to EUR 11,573 thousand and net profit amounted to EUR 9,647 thousand were both up on 2016.



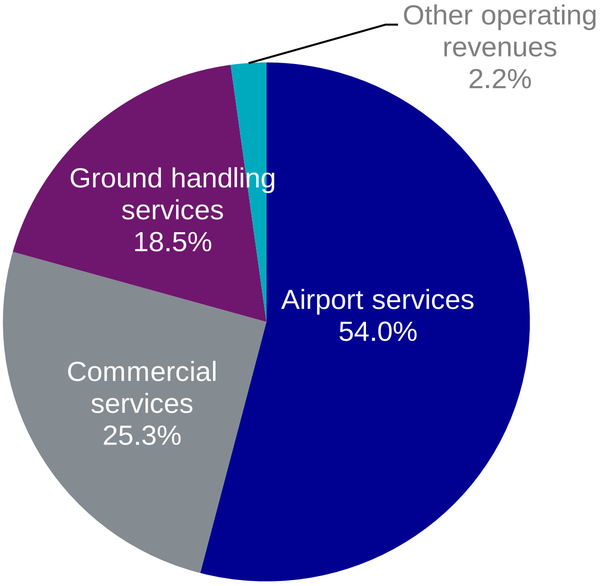
Operating revenues

Operating revenues amounted to EUR 41,890 thousand in 2017, up 16.1% or EUR 5,821 thousand on 2016. The increase in 2017 was a reflection of the increase in foreign airlines' traffic and domestic airlines' traffic, and the increase in revenues from commercial services.

From the prospective of operating revenues by type of service, the increase in foreign airlines' traffic meant that both, revenue from airport services and revenue from ground handling services were up on 2016. In the segment of revenue from commercial services, there was greatest increase in warehouse logistic services in 2017, up 15.8% and in parking revenues up 15.3%, both relative to the previous year.

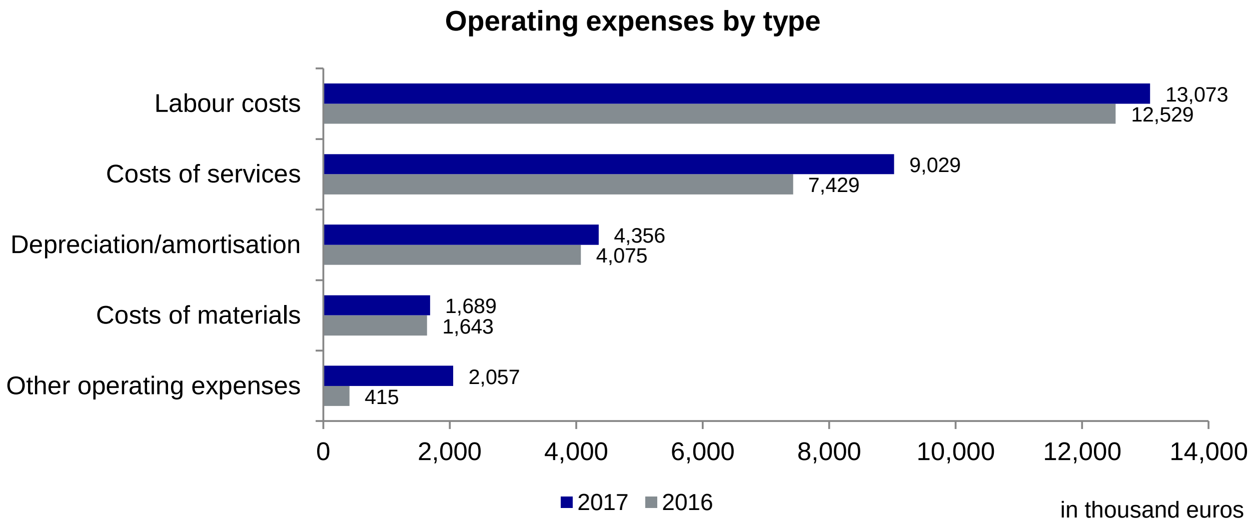


Breakdown of operating revenues



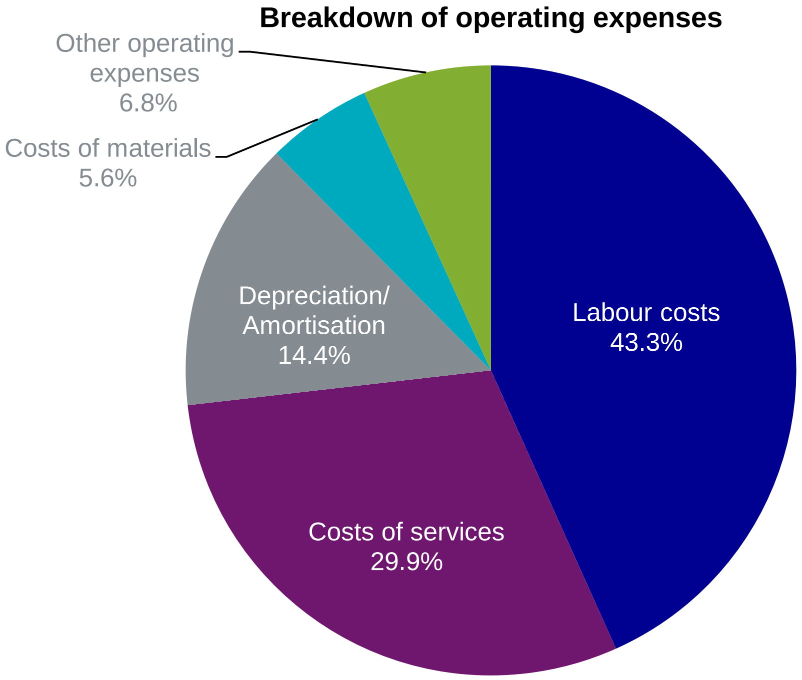
Operating expenses

Operating expenses amounted to EUR 30,203 thousand in 2017, up 15.8% on 2016.



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

In the breakdown of operating expenses is dominated by labour costs, followed by costs of services, amortisation and depreciation, costs of materials and other operating expenses. The proportion accounted for by labour costs was down 4.7 percentage point on 2016, the proportion accounted for by other operating expenses was up 5.2 percentage point, and in the proportion accounted for by costs of services was up 1.4 percentage point.

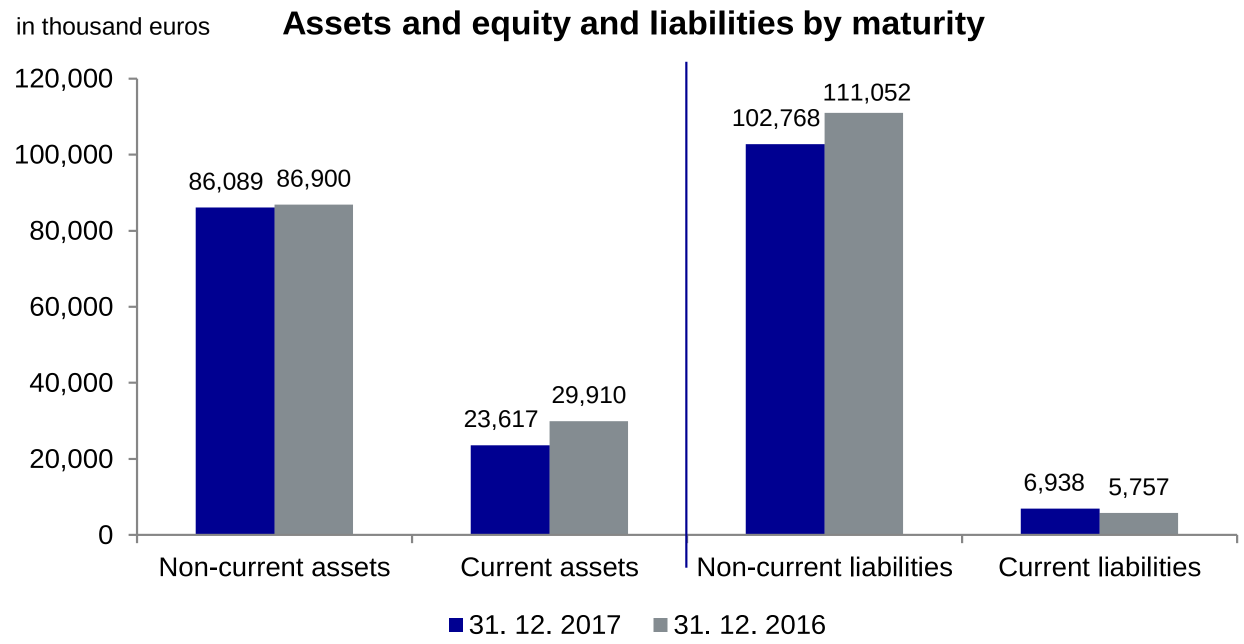


Energy costs *(electricity, heating fuel and motor fuel)* accounted more than for half of all costs of materials, while other major items included consumable materials, materials for current maintenance, cleaning materials and uniforms (which are purchased every two years). Security services accounted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

Other operating expenses amounted to EUR 2,057 thousand, of which majority is relating to T2 write off in amount of EUR 1,642 thousand. Detailed disclosure is presented in chapter 5.1.2. of Financial report.

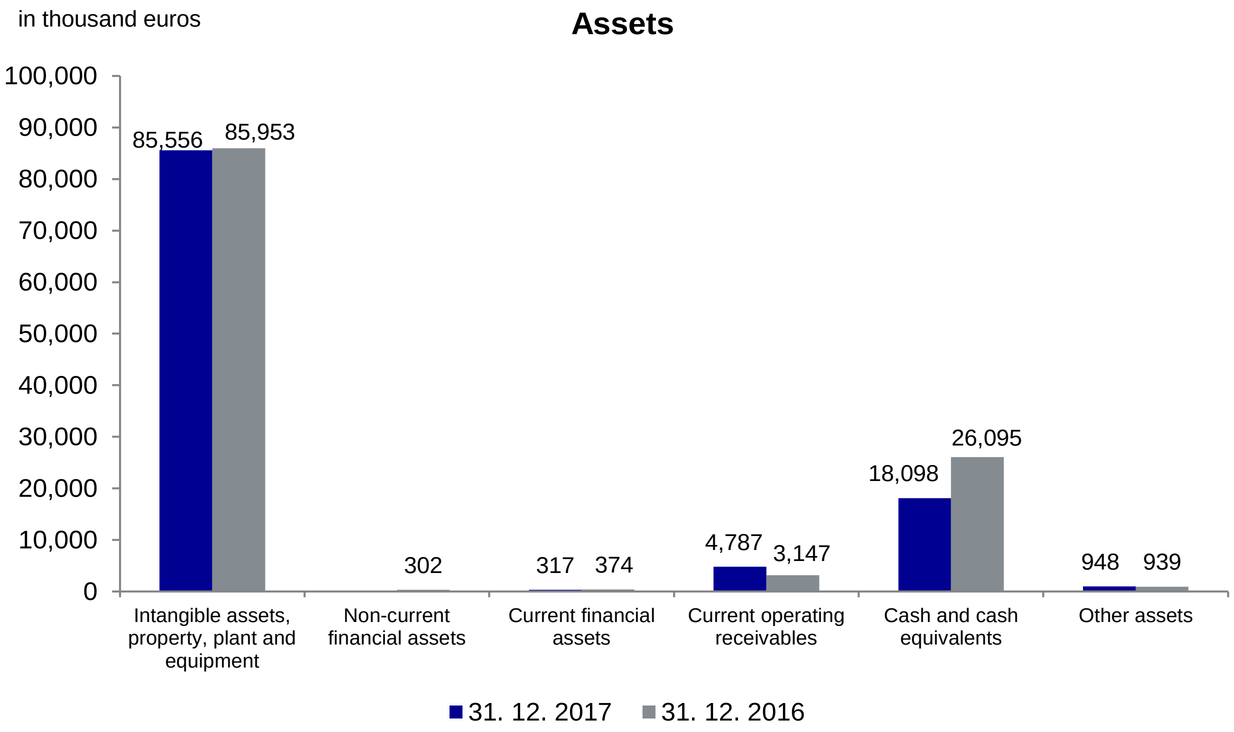
2.4.2 STATEMENT OF FINANCIAL POSITION

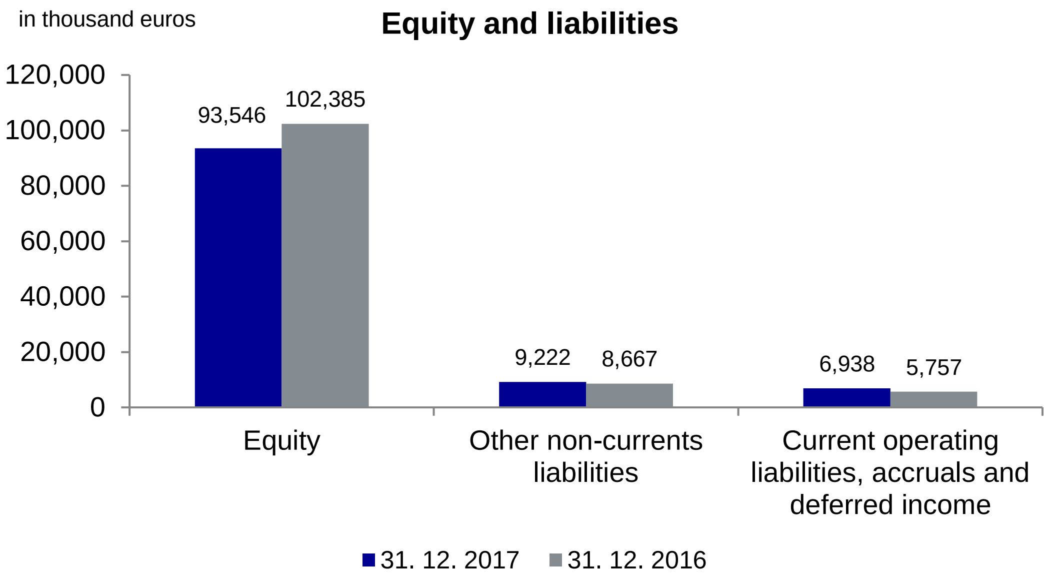
in euros	31. 12. 2017	31. 12. 2016	Index 17 / 16	Proportion (in %) 2017	2016
ASSETS	**109,706,000**	**116,809,665**	**93.9**	**100.0**	**100.0**
Non-current assets	**86,088,765**	**86,899,981**	**99.1**	**78.5**	**74.4**
Intangible assets	9,230,023	8,493,339	108.7	8.4	7.3
Tangible assets	76,325,681	77,459,437	98.5	69.6	66.3
Other non-current assets	533,061	947,205	56.3	0.5	0.8
Current assets	**23,617,235**	**29,909,684**	**79.0**	**21.5**	**25.6**
Cash and cash equivalents	18,097,821	26,095,394	69.4	16.5	22.3
Current operating receivables	4,787,342	3,146,674	152.1	4.4	2.7
Other current assets	732,072	667,617	109.7	0.7	0.6
EQUITY AND LIABILITIES	**109,706,000**	**116,809,665**	**93.9**	**100.0**	**100.0**
Equity	**93,545,931**	**102,385,495**	**91.4**	**85.3**	**87.7**
Non-current liabilities	**9,221,995**	**8,666,909**	**106.4**	**8.4**	**7.4**
Current liabilities	**6,938,074**	**5,757,261**	**120.5**	**6.3**	**4.9**



Non-current assets accounted for 78.5% of total **assets**. Property, plant and equipment was down 1.5% from 31 December 2016.

Current assets, which accounted for 21.5% of total assets as at 31 December 2017, were down 21% on 31 December 2016. Cash and cash equivalents had decreased to EUR 18,098 thousand as at 31 December 2017, in connection with payment of the share in the profit holder. Short term operating receivables amounted to EUR 4.787 thousand are higher than on 31 December 2016 due to higher traffic.





Non-current liabilities amounted to EUR 102,768 thousand or 93.17% of total equity and liabilities, and are used to finance all of the company's non-current assets and a significant proportion of its current assets. Equity accounted for the majority of non-current liabilities amounted to EUR 93,546 thousand or 85.3% of total equity and liabilities.They primarily comprised non-current operating liabilities accounted for 8.4% of total equity and liabilities, which mostly related to liabilities from general superficies.

Current liabilities accounted for 6.3% of total equity and liabilities, and primarily comprised current operating liabilities amounted to EUR 6.275 thousand or 5.7% of total equity and liabilities. The figure was up 16.5% (EUR 888 thousand) on 31 December 2016, due to higher liabilities to suppliers.

The company had no financial liabilities as at 31 December 2017.

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

2.4.3 FINANCIAL MANAGEMENT

Liquidity was maintained at a high level in 2017, as a consequence of the company's good performance. The company is regularly settling its operating liabilities. In line with the group's financial policy, free cash flow is maintained in accounts at commercial banks.

The company is primarily financed via equity. The investments made in recent years have been financed in full by internal resources, and the company has no financial liabilities. Non-current operating liabilities disclosed in the balance sheet as at 31 December 2017 primarily relate to liabilities for the general superficies fee.

Given the company's asset position, and the structure of its equity and liabilities, and under the assumption that customers continue paying regularly for its services, in 2018 there is again no planned requirement for any external financing.

2.4.4 PERFORMANCE INDICATORS

	2017	2016	Index 17 / 16
EBITDA margin (operating profit or loss + depreciation/amortisation)/operating revenues)	0,38	0,39	98,3
EBIT margin (operating profit or loss/operating revenues)	0,28	0,28	100,8
Net ROE in % (net profit/average equity excluding net profit for the year)	10,36%	9,35%	110,7
Net ROA in % ((net profit + interest obtained)/average assets)	8,52%	7,89%	108,0
Operating efficiency ratio (operating revenues/operating expenses)	1,39	1,38	100,3
Overall efficiency ratio (total revenues/total expenses)	1,38	1,40	98,5
Equity to non-current assets ratio (equity/non-current assets)	1,09	1,18	92,2
Self-financing ratio (equity/equity and liabilities)	0,85	0,88	97,3

2.5 INVESTMENTS

A total of EUR 5,471 thousand was invested in infrastructure and equipment in 2017, of which EUR 3,618 thousand was relate to infrastructure and related equipment and land, while the remainder was spent on new airport equipment (EUR 1.032 thousand) and for IT equipment (EUR 821 thousand).

in thousand euros	2017	2016	Index 17 / 16
Intangible assets	604	376	/
Infrastructure and related equipment, land	3,618	2,886	125.4
IT equipment (hardware)	217	428	50.8
Airport equipment	1,032	449	229.8
Total	**5,471**	**4,139**	**132.2**

The majority of the investment in infrastructure and related equipment and land comprised the completion of the project for the replacement of airfield ground lighting system (AGL).

At its session in April 2017 the Investors Committee took a decision and gave the approval for terminal expansion. The new passenger terminal will bring an extra 8,700 m2 of floor space, and will be completed by April 2020. The design concept for the project has been drawn up by the end of 2017, and the execution of the work is scheduled to begin in 2018. With the expansion of the passenger terminal, our infrastructure is being adapted to the rapid growth in passenger numbers and the strategy outlined for the development of the airport.

The new regional road from Kranj to Spodnji Brnik was completed in late 2017, at a total cost of EUR 5.5 million. Fraport Slovenija partly financed the project in the amount of EUR 1.2 million (the remainder was mostly financed by the central government, and partly by the municipality of Cerklje). The road connecting the main regional road with the airport infrastructure was also completed. A plan for the construction of a network of internal roads was also adopted for the ongoing development of the business and logistics zone. This will allow further construction on land north of the current road, and on other land right next to the airport.

We also carried out preparation works for the construction of a warehouse and office premises for TNT d.o.o. and for the construction of the premises of the Fraport Aviation Academy. Construction of this infrastructure will begin in 2018.

In 2017 we invested EUR 1,032 thousand for airport equipment, of which EUR 607 thousand was for the purchase of airport equipment for the apron, EUR 209 thousand for the purchase of equipment for the airport fire fighting service, and EUR 153 thousand for the purchase of other airport equipment.

The company invested EUR 821 thousand in computer equipment, of which EUR 604 thousand in software and EUR 217 thousand in hardware. We successfully completed the changeover to the new SKYport operational information system as part of the initial airport operation plan (IAOP) project, which is co-financed by the EU. The replacement of part of the general surveillance system was also completed.

A start on the programme of digitalising advertising assets was made in 2017, and EUR 63 thousand was invested for purchasing advanced billboards.

2.6 FRAPORT AVIATION ACADEMY

In November 2016 the Fraport Aviation Academy was established at Ljubljana Airport, whose mandate for operating was given to Fraportu Slovenija. It's main goal is to fulfill the educational needs of airports on a broader market. The academy currently offers 23 courses in airport operations, ground handling, fire safety and crisis response. A number of new courses were developed last year. Their development was in part related to the acquisition of a new helicopter simulator. It was first exhibited to commanders of airport firefighting units from across Europe at the ARFF Summit in October 2017. Other highlights included two exercises in responding to an aviation accident, which were conducted with partners with the aim of improving readiness and collaboration in the event of such emergency situations.

The training ground at Frankfurt Airport, the training centre for civil protection and disaster relief in Ig and certain other locations played host to the first major training sessions held for firms with which long-term collaborations were established last year. Firefighting training at Ljubljana Airport will begin in late 2018, when the new training centre is finally built alongside the general aviation centre.

In the future we aim to connect our know-how in various areas of aviation, and shape it into a comprehensive training concept. For this reason we drew up a new study programme in the area of crisis management last year in conjunction with the University of Maribor’s faculty of organisational sciences in Kranj, and established partnerships with numerous major players in the aviation industry.

2.7 EMPLOYEES

The company had a headcount of 428 on 31 December 2017, of whom 415 were permanent and 13 were temporary employees. The gender breakdown was 73.6% men (315 in all), 26.4% women (113 in all). The headcount was up 29 on 31 December 2016.

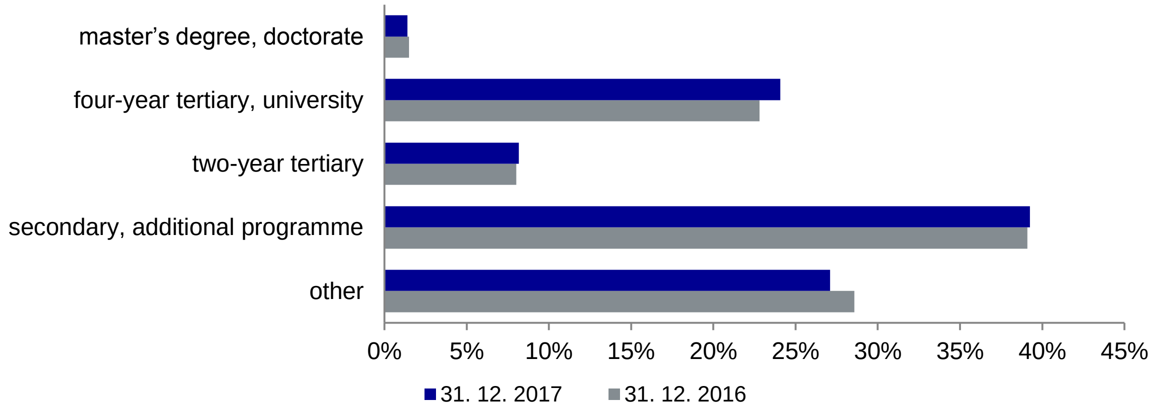
Age structure of employees

The average age of the workforce was 42.22 at the end of 2017.

Some 304 employees are aged between 31 and 50 (71% of the total), 49 are aged between 21 and 30 (11.5%), and 57 are 51 or older (17.5%).

Education structure

Promoting employees to increase the educational level is reflected in the change in the educational structure as at 31 December 2017, as compared to 31 December 2016, there were 5 more employees with higher qualifications (3 with university level qualifications and one two-year tertiary and one with a secondary vocational education).



Cooperation with education institutions, work experience

Practical training was provided in 2017 for five university students and nine school students from nine different schools and faculties. A total of 3,229 hours of training was provided, 589 more than in the previous year.

Education of employees

Staff training is one of the strategic priorities at the company, as top-level employees have traditionally been one of our competitive advantages. As a high service company we encourage in-house training, and also training at educational institutions inside and outside Slovenia. The majority of the training in 2017 was for renewing work licences for airport personnel, and also for the maintenance of order and safety at the airport.

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

We again proved that we are working hard to get the Best Employer Award in 2017, which is awarded by Mojedelo.si.

2.8 PLANS FOR 2018

Given the continuing positive macroeconomic forecasts for the economy, the company is planning to further increase passenger and cargo traffic in 2018. The plan is supported by the winter and summer timetables announced for 2018 by the scheduled airlines. The plan for 2018 forecasts increases of 3% in passenger numbers, and 4% in the number of aircraft movements.

We are also planning to introduce new marketing activities and to strengthen existing activities to attract new airlines and new destinations with the aim of improving air access to Slovenia, and expanding the set of destinations available on direct routes.

We intend to maintain the scope of our market communications via local media and the internet, and are planning to make greater use of the innovative marketing channels.

In our commercial area we will continue with existing sales strategies and price policy adjusted to our location and services. The capacity and supply will be adapted to the development of traffic and follow the demand of our business partners and end-users. We will monitor shopping trends and customer wishes, and will remain oriented towards diversity, and proactively continue meeting the set and new targets.

It is our aim to continue working with Slovenian athletes in giving them the best experience for foreign travel, and to support various marketing campaigns at the airport with existing and new partners. We also want to involve airport visitors and local people into the new activities, and to strengthen the company’s good reputation in the region.

Macroeconomic trends also point to higher use of aviation services in the future, the strengthening of cargo traffic and the development of market activities in line with demand from end users. New technologies are allowing us to optimise business processes and follow market trends, while taking account of macroeconomic developments and developments on the financial markets.

There will be further increases in the value of investments in the year ahead. We will be focusing on the expansion of the passenger terminal, which will be completed in the spring of 2020. A total of EUR 14.3 million will be invested in infrastructure and equipment.

A significant portion of the money will be invested in infrastructure and equipment for the Fraport Aviation Academy, for the TNT warehouse project, and for the further construction of internal roads. One highlight in the IT field is the replacement of the information system as part of the IAOP project, which is being co-financed by the EU.

For 2018 we plan our operating revenues in the amount of EUR 42,7 million and operating expenses in the amount of EUR 30,7 million. EBITDA is forecasted at EUR 16,7 million, EBIT at EUR 11,9 million and net profit at EUR 9,4 million.

By achieving the set goals, the long-term stability of the company will continue to be strengthened.

3 RISK MANAGEMENT

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

The risk monitoring methods at the company allow for an early warning of changes in risks, and rapid action immediately after the identification of any such risk. We regularly monitor the performance of our largest customers, and undertake marketing activities to retain existing traffic and attract new traffic.

All changes in domestic and European legislation that could have an impact on the company's performance were monitored regulary, and were appropriately responded to in the form of proposed changes.

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

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

Opportunities

While risks entail the threat of the realisation of a specific event with adverse consequences for the company, they also entail opportunities for the realisation of a specific event with beneficial consequences in the financial or operating sense. Fraport Slovenija primarily sees opportunities in the market potential of the Alpe Adria region, the introduction of regular passenger and freight intercontinental connections, the organisation of the base for an additional airline or major freight forwarding firm, the sale of Aviation Academy services to third parties in cooperation with the Slovenian Tourist Board in the direction of joint attraction of foreign airlines to Slovenia and, last but not least, to develop a business zone and accompanying activities.

Compliance

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

The Code of Ethics for employees and the Standards of Conduct stipulate the basic principles and rules according to which employees and other persons working in Fraport Slovenija, d.o.o. are bound to act. It comprises the rules and principles observed at the company implements in order to protect employees and the company itself from the risks of breaches, non-performance or non-observance with contractual and other employment obligations and to protect the reputation of the company and each member of staff. An ethics committee was established to oversee the implementation of the Code of Ethics, and its duties encompaqss the collection, processing and analysis of written and verbal reports of breaches of ethical conduct or other irregularities in the company. The Ethics Committee did not receive any reports of breaches of the Code of Ethics in 2017.

4 SUSTAINABLE DEVELOPMENT

Alongside aviation safety and quality of service, sustainable development is another key value of Fraport Slovenija. Sustainable development for the company means much more than just socially responsible conduct in compliance with applicable laws, rules and regulations. It also means taking our own responsibility in economy, ecology and social matters, and my doing so, the company helps strengthen a wider social welfare.

Years ago, the company adopted environmental commitments and some strategic objectives which are constant and remain the same and will lead us to further activities and company development. We are going to continue documenting and structuring quality systems in line with the ISO 14001 and ISO 9001 standards. We are also going to do our best to minimise the noise burden in the environment and put all our efforts in not exceeding the values permitted. We will use various measures to reduce the carbon footprint and to provide circular waste management. We will increase our own energy efficiency and gradually move to ecologically more acceptable and renewable energy sources. We will keep the status of reliable and careful employer providing for its employees a respectful, reliable, safe, friendly and healthy working environment. We will also continue, at the corporate level, with our planned socially responsible activities and include a wider airport community in sustainable operation. Our top management is responsible for the adoption of the company’s sustainable strategy and programme. All employees, in accordance with their power and responsibilities are included in the implementation of our sustainable programme. We are aware that as an airport operator our activities have an adverse impact on the environment, particularly on air quality, noise levels, and biodiversity in the local environment.

Air traffic plays a significant role in achieving climate objective in the EU by introducing some measures to reduce greenhouse gas emissions. One of the measures is also cooperation of airports in the Airport Carbon Accreditation Programme, which is the only institutionally recognised standard for certifying the management of airport carbon footprint, and in which also our airport is taking part. For several years the company has been using electricity generated from 100%-renewable energy resources, which makes an additional contribution to reducing greenhouse gases and is proof of our commitment to sustainable energy. These greenhouse gas reduction activities are being built on with activities and measures to make office operations greener, for which we were awarded with European Green Office (EGO) certification in 2013, retaining it each year since. Promoting ideas of sustainability and environmental content among the staff is the responsibility of the Green Team, which encourages the pursuit of the objectives set out in the EGO project. One of the objectives realised was the establishment of a station for shared-use electric vehicles at the airport, which is also available to staff on work-related journeys. Enhancing our offerings in terms of green transport modes contributes to the company’s endeavours for reducing the carbon footprint, and it forms a part of the company’s wider orientation to limitation of harmful impacts of its activities on the environments, or of its environmental policy which envisages the carbon neutrality by 2025 and considers a transition to a low-carbon society as one of its strategic environmental objectives.

Aircraft noise is considered an important environmental aspect which is carefully managed by our company. In December 2008 we established a systematic approach to monitoring noise by continues noise measurements in immediate surroundings of the airport. We have provided measuring terminals in four most exposed settlements under the landing or take-off surfaces. With local communities we have agreed to limit the number of flights over the settlements in the night time, so night noise indicators are normally not exceeded. We are aware that as low levels of noise emissions as as possible are essential to the quality of life of local people, therefore we ensure to keep them informed about the noise measurements as much as possible. So beside regular periodical reports we also provide them with interactive application on our website, where they can check the noise indicators of flyovers above their settlements during the take-off and landing.

Together with the Air Traffic Control of Slovenia and some other stakeholders we began addressing the problem of the settlement Šenčur and its exposure to the air traffic years ago. Beside regular noise monitoring and changes made to the take-off and landing procedures by which we are moving the air traffic away from that settlements, we have found, in cooperation with the Ministry of Infrastructure of the Republic of Slovenia, an adequate location between Ljubljana Airport and Šenčur to plant vegetation noise barrier. Together with Slovenian Forest Service, we prepared a new afforestation plan by which most suitable tree and bush species were selected for planting. At the end of 2016 we planted approximately 13,000 indigenous Slovenian plants that are typical for the forest landscape around the airport.

One of our strategic priorities is sustainable coexistence with bird life. It is necessary to monitor the coexistence of the certain bird species in the airport area. We started using a new approach of preventing eventual bird strikes with aircrafts. We have joined with the Foundation of Society of Knowledge and Vales of Nature, so we have expanded the addressed problem and its problem solving to a comprehensive treatment of the environment and preservation of biodiversity. In 2012, we started implementing the long-term ecological study aimed at identifying the status of biological populations and monitoring efficiency of the measures taken. We keep searching and introducing new methods which are based on modern systems of monitoring and recording, and using soft approaches to redirecting birds, f.e. interventions into the environment by offering them food. In accordance with the recommendations of the above mentioned study we have procured more appropriate technical tools and provided trainings for the employees responsible for monitoring and redirecting or deterring wild animals from the airport are in a safe, efficient and also ethical and legally acceptable way.

In Fraport Slovenija we measure all environmental aspects that could have a significant impact on the environment. Legislation requires the company to conduct periodic monitoring of environmental noise emissions, regular measurements of flue gases from boilers and other heating appliances, and periodic monitoring of wastewater. The company reports regularly to the Slovenian Environment Agency on its management of waste and ozone-depleting substances.

In addition it measures all environmental aspects that are not prescribed by law but whose evaluation is nevertheless important for their economic and environmental effects. These include water consumption, all different forms of energy consumption, consumption of motor fuels and consumption of hazardous materials. We conduct constant monitoring of noise, even though this is not prescribed by law, as we are aware of the sensitivity and significance of the issue of aircraft noise. At the end of the year work began on erecting natural anti-noise barriers to further reduce the noise load on local residents.

We actively involve contractors, business partners and tenants in the implementation of our sustainability policy. All new tenancy agreements include an environmental clause making the tenant aware of our environmental protection policy, which is set out in detail in a document entitled Airport Use Rules.

We are striving for procurement procedures providing long term effects on the environment, including reduction greenhouse gas emissions and air pollutants, improvement of energy and water efficiency, reduction of ozone-depleting substances, reduction of waste generation, reuse of materials and products, increased and improved waste separation, reduction in hazardous waste and in toxic and dangerous chemicals and substances.

As a socially conscious company, we work multilaterally to encourage the development of the local environment in which we operate. We feel a sense of responsibility for cultivating a social and cultural environment, for which reason we support social activities, arts and culture, and sport. We are actively concerned for occupational health and safety, and also strive to contribute to education and the development of skills and knowledge. It is our firm conviction that only projects built on partnerships and mutual respect and with a focus on sustainability can leave a positive trace.

The entire European aviation industry is confronting the challenges related to efficiency issue, and this will be the greatest challenge for Fraport Slovenija in the coming years. Our endeavours will continue in the direction of ensuring safe airport infrastructure that is efficient in its use of space and financial resources, without spare capacity, with a sustainable approach to its management. We believe that we can be competitive and sustainable in this way, and can achieve our primary mission: boosting the connectivity of the region, and promoting its development.

Our achievements to date in the area of environmental and social responsibility are examined in detail in our second annual sustainability report, the first having been released in 2015. The report was compiled in accordance with the GRI G4 Guidelines(Global Reporting Initiative).

Sustainability report for 2016 in available on our web site:

http://www.fraport-slovenija.si/pripone/2345/TP%202016_v21_ENG_web.pdf

FINANCIAL REPORT

1 STATEMENT OF MANAGEMENT

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

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

- the financial report of Fraport Slovenija, d.o.o. for 2017 was compiled in accordance with the International Financial Reporting Standards, as adopted by the European Union and that it provides a true and fair picture of the assets, liabilities, financial position, operating results and total comprehensive income of Fraport Slovenija, d.o.o., and
- the business report includes a fair presentation of the development and performance of the company's business and its financial position, including a description of the principal types of risks to which Fraport Slovenija, d.o.o. is exposed.

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

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

Zmago Skobir

Managing Director

Zg. Brnik, 9 March 2018

2 INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the sole member of Fraport Slovenija, d.o.o.

Opinion

We have audited the financial statements of **Fraport Slovenija, d.o.o.**, which comprise the balance sheet as at **31 December 2017**, the income statement and statement of other comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of **Fraport Slovenija, d.o.o.** as at **31 December 2017** and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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

Other information

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit, or otherwise appears to be materially misstated.

In addition to our responsibilities and reporting in accordance with ISAs, with respect to the Annual report, we also performed procedures required by the Slovenian Companies Act. Those procedures include assessing whether the other information has been prepared in accordance with the Slovenian Companies Acts, in particular, whether the other information complies with the formal requirements and procedure for preparing the other information.

Based on the procedures performed, we report that:

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

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this respect.

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

PricewaterhouseCoopers d.o.o., *Cesta v Kleče 15, SI-1000 Ljubljana, Slovenija*
T: +386 (1)5836 000, F:+386 (1) 5836 099, www.pwc.com/si
Matriculation No.: 5717159, VAT No.: SI35498161

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Ljubljana, 9 March 2018

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

Dušan Hartman
Certified auditor

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3 FINANCIAL STATEMENTS

3.1 BALANCE SHEET

in euros

Balance sheet	Notes	31.12.2017	31.12.2016
ASSETS		**109,706,000**	**116,809,665**
Non-current assets (total)		**86,088,765**	**86,899,981**
Intangible assets, non-current prepayments and accrued income	5.1.1	9,230,023	8,493,339
Property, plant and equipment	5.1.2	76,325,681	77,459,437
Investments in associates	5.1.3	0	0
Non-current financial assets	5.1.4	0	302,000
Non-current operating receivables		59,873	59,873
Deferred tax assets	5.1.5	473,188	585,332
Current assets (total)		**23,617,235**	**29,909,684**
Current assets excluding prepayments and accrued income		**23,504,551**	**29,861,058**
Inventories		302,499	244,899
Current financial assets	5.1.6	316,889	374,091
Current operating receivables	5.1.7	4,787,342	3,146,674
- of which receivables for income tax expense		0	0
Cash and cash equivalents	5.1.8	18,097,821	26,095,394
Currrent prepayments and accrued income		**112,684**	**48,626**
EQUITY AND LIABILITIES		**109,706,000**	**116,809,665**
Equity	5.1.9	**93,545,931**	**102,385,495**
Nominal capital		15,842,626	15,842,626
Capital surplus		24,287,659	24,287,659
Profit reserves		43,933,874	43,933,874
Revaluation surplus		-218,170	-176,985
Retained earnings		9,699,942	18,498,321
Non-current liabilities (total)		**9,221,995**	**8,666,909**
Provisions and non-current accruals and deferred income	5.1.10	**1,715,452**	**1,634,337**
Provisions for jubilee benefits, termination benefits and subsequent revenue		1,370,622	1,271,222
Non-current accruals and deferred income		344,830	363,115
Non-current liabilities		**7,506,543**	**7,032,572**
Non-current operating liabilities	5.1.11	7,506,543	7,032,572
Current liabilities (total)		**6,938,074**	**5,757,261**
Current liabilities		**6,275,483**	**5,387,616**
Current operating liabilities	5.1.12	6,275,483	5,387,616
- of which liabilities for income tax expense		158,022	1,135,264
Current accruals and deferred income		**662,591**	**369,645**

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

3.2 INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

in euros

Income statement	Notes	1.–12.2017	1.–12.2016
Operating revenues	5.2.1	**41,889,645**	**36,068,568**
Net sales revenue		41,673,031	35,990,655
Other operating revenues		216,614	77,913
Operating expenses	5.2.2	**-30,203,445**	**-26,090,465**
Costs of materials and services		**-10,717,440**	**-9,071,584**
Costs of materials		-1,688,744	-1,642,792
Costs of services		-9,028,696	-7,428,792
Labour costs		**-13,073,158**	**-12,529,015**
Depreciation/amortisation		**-4,355,945**	**-4,075,115**
Other operating expenses		**-2,056,902**	**-414,751**
Operating profit (EBIT)		**11,686,200**	**9,978,103**
Net finance income/expenses	5.2.3	**-112,798**	**633,599**
Finance income		**238,927**	**1,052,562**
Finance expenses		**-351,725**	**-418,963**
Pre-tax profit		**11,573,402**	**10,611,702**
Income tax expense	5.2.4	-1,819,183	-1,621,421
Deferred tax	5.2.4	-107,672	57,431
Net profit for the period		**9,646,547**	**9,047,712**

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

in euros

Statement of comprehensive income	Notes	1.–12.2017	1.–12.2016
Net profit for the period		**9,646,547**	**9,047,712**
Items that could subsequently be reclassified to profit or loss		**19,063**	**-342,758**
Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets		**23,535**	**-413,437**
- gain/(loss) recognised as revaluation surplus		20,993	-16,463
- transfer of gain/(loss) from revaluation surplus to profit or loss		2,542	-396,974
Corporate income tax in connection with items that could subsequently be reclassified to profit or loss		**-4,472**	**70,679**
- in connection with gain/(loss) recognised as revaluation surplus		-3,989	3,193
- in connection with transfer of gain/(loss) from revaluation surplus to profit or loss		-483	67,486
Items that subsequently will not be reclassified to profit or loss		**-60,248**	**-57,811**
Unrealised actuarial profit/loss from post-employment benefits		-65,292	-59,397
Realised actuarial loss (after payment of post-employment benefits)		5,044	1,586
Total other comprehensive income for the period	5.2.5	**-41,185**	**-400,569**
Total comprehensive income for the period		**9,605,362**	**8,647,143**

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

	Note 5.3	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit corrected for deferred tax		**9,754,219**	**8,990,281**
Adjustment for:		**5,411,760**	**5,232,686**
- income tax expense recognised in the income statement		1,819,183	1,621,421
- amortisation/depreciation of intangible assets and property, plant and equipment		4,355,954	4,075,115
- gain/loss on disposal/elimination of intangible assets and property, plant and equipment		1,621,958	122,939
- impairment of inventories		3,962	3,223
- impairment of receivables		5,304	35,926
- creation/reversal of provisions		61,917	67,493
- other non-cash transactions		211,365	408,054
- finance income		-220,919	-1,029,698
- finance expenses		349,462	414,369
- income tax expense paid		-2,796,426	-486,156
Cash flow from operating activities, excluding working capital		**15,165,979**	**14,222,967**
Change in operating receivables		-2,829,049	-30,348
Change in prepayments and accrued income		-26,674	11,871
Change in inventories		-61,561	24,033
Change in operating liabilities		1,797,300	1,118,408
Change in accruals and deferred income		-45,972	60,440
Net cash flow from operating activities		**14,000,023**	**15,407,371**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investing activities		**1,048,019**	**184,331,087**
Proceeds from interest and profit participation from investing		35,751	91,774
Proceeds from disposal of property, plant and equipment		446,251	15,653
Proceeds from disposal of non-current financial assets		0	3,078,120
Proceeds from disposal of investments in associates		199,217	0
Proceeds from disposal of current financial assets		366,800	181,145,540
Finance expenses for investing		**-4,546,759**	**-168,246,583**
Payments for intangible assets		-739,311	-308,600
Payments for property, plant and equipment		-3,807,448	-4,137,983
Payments for disposal of available-for-sale assets		0	0
Payments for current financial assets		0	-163,800,000
Net cash flow from investing activities		**-3,498,740**	**16,084,504**
CASH FLOWS FROM FINANCING ACTIVITIES			
Outflows from financing activities		**-18,498,321**	**-6,376,280**
Payments of share of profit		-18,498,321	-6,376,280
Net cash flow from financing activities		**-18,498,321**	**-6,376,280**
Net increase in cash and cash equivalents		**-7,997,038**	**25,115,595**
Opening balance of cash and cash equivalents		26,095,394	979,855
Effect of foreign exchange differences on cash and cash equivalents		-535	-56
Cash and cash equivalents at the end of the period		**18,097,821**	**26,095,394**

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

3.4 STATEMENT OF CHANGES IN EQUITY

in euros

Statement of changes in equity	Nominal capital	Capital surplus	Legal reserves	Reserves under Articles of Association	Other profit reserves	Revaluation surplus	Retained earnings	Net profit for the financial year	Total equity
1.1.2016	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**223,584**	**7,381,557**	**8,441,597**	**100,110,897**
Net profit from the previous year	0	0	0	0	0	0	8,441,597	-8,441,597	0
Net profit for the period	0	0	0	0	0	0	0	9,047,712	9,047,712
Other comprehensive income for the period	0	0	0	0	0	-400,569	0	0	-400,569
Draw-down of actuarial deficit	0	0	0	0	0	0	-1,586	0	-1,586
Payment of share of profit	0	0	0	0	0	0	-6,370,959	0	-6,370,959
31.12.2016	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-176,985**	**9,450,609**	**9,047,712**	**102,385,495**
1.1.2017	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-176,985**	**9,450,609**	**9,047,712**	**102,385,495**
Net profit from the previous year	0	0	0	0	0	0	9,047,712	-9,047,712	0
Net profit for the period	0	0	0	0	0	0	0	9,646,547	9,646,547
Other comprehensive income for the period	0	0	0	0	0	-41,185	0	0	-41,185
Draw-down of actuarial deficit	0	0	0	0	0	0	-5,044	0	-5,044
Write-off of liabilities for dividends more than 5 years old	0	0	0	0	0	0	58,439	0	58,439
Payment of share of profit	0	0	0	0	0	0	-18,498,321	0	-18,498,321
31.12.2017	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-218,170**	**53,395**	**9,646,547**	**93,545,931**

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

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 REPORTING COMPANY

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

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

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

The financial statements were approved by the company's management on 9 March 2018.

4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS

Statement of compliance

The financial statements for 2017 and 2016 were compiled in accordance with the IFRS, as adopted by the European Union. The accounting and reporting requirements of the IFRS have been applied, as well as the requirements of the ZGD-1 and the company's internal rules.

Basis of measurement

The financial statements have been compiled on an historical cost basis, whereby available-for-sale assets and available-for-sale financial assets are valued at fair value.

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

Functional and reporting currency

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

Use of estimates and judgments

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

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

Estimates and judgments were used in at least the following:

- Estimate of provisions (Point 4.3 [provisions] and Point 5.1.10 of the Financial Report),
- Estimate of useful life of intangible assets and property, plant and equipment (Point 4.3 [intangible assets and property, plant and equipment], and Points 5.1.1 and 5.1.2 of the Financial Report),
- Estimate of recoverable value of receivables (Point 4.3 [impairment of assets] and Point 5.1.7 of the Financial Report),
- Estimate of fair value of financial assets (Point 4.3 [financial instruments] and Points 5.1.4 and 5.1.6 of the Financial Report),
- Judgment with regard to impairment of assets (Point 4.3 of the Financial Report [impairment of assets]),
- Judgment with regard to the possibility of claiming deferred tax assets (Point 4.3 [corporate income tax] and Point 5.1.5 of the Financial Report).

4.3 SIGNIFICANT ACCOUNTING POLICIES

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

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

Investment in associate Aerodrom Portorož, d.o.o.

Fraport Slovenija, d.o.o. 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 Fraport Slovenija, d.o.o. on Aerodrom Portorož, d.o.o. is defined in the provisions of the memorandum of association and is in proportion to the ownership holding that the former company has in the latter. In light of this, Fraport Slovenija, d.o.o. does not have a dominant or significant influence on Aerodrom Portorož, d.o.o. Therefore, the investment was valued at historical cost, less any impairment.

The investment in an associate, a 30.46% participating interest in Aerodrom Portorož d.o.o., was sold in 2017 (see note 5.1.3).

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 then valid reference rate of the ECB. Foreign exchange differences are recognised in the income statement.

Financial instruments

Non-derivative financial instruments

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

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 sight deposits.

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

a) Available-for-sale financial assets

The company's investments in equity (shares and participating interests) and in debt securities are classified as available-for-sale financial assets. After initial recognition these assets are valued as follows:

- according to fair value, or
- at historical cost, when the fair value of the asset cannot be reliably measured.

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

b) Loans issued and granted

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

c) Cash and cash equivalents

Cash and cash equivalents consists of cash in hand, balances in current accounts at banks, and sight deposits with a maturity of up to 3 months. Overdrafts in bank accounts are disclosed under current financial liabilities on the balance sheet.

d) Others

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

<u>Derivative financial instruments</u>

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.

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

in euros

	Type of asset/liability	2017	2016
ASSETS			
Non-current financial assets	Financial asset	0	302,000
Non-current operating receivables	Non-financial asset	59,873	59,873
Current financial assets	Financial asset	316,889	374,091
Current operating receivables		4,787,342	3,146,674
- Current trade receivables	Financial asset	4,530,460	2,936,519
- Other operating receivables	Financial asset	256,882	210,155
Cash and cash equivalents	Financial asset	18,097,822	26,095,394
Currrent prepayments and accrued income		112,684	48,626
- Currrent prepayments and accrued income	Non-financial asset	75,663	41,216
- Currrent prepayments and accrued income	Financial asset	37,021	7,410
EQUITY AND LIABILITIES			
Non-current operating liabilities		7,506,543	7,032,572
- Non-current operating liabilities	Financial liability	7,160,939	6,686,968
- Non-current operating liabilities	Non-financial liability	345,604	345,604
Current operating liabilities		6,275,483	5,387,616
- Current trade payables	Financial liability	4,230,544	2,450,266
- Other current liabilities	Financial liability	2,044,939	2,937,351
Current accruals and deferred income		662,591	369,645
- Current accruals and deferred income	Financial liability	593,255	326,057
- Current accruals and deferred income	Non-financial liability	69,336	43,587

Property, plant and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

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

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

The estimated useful life falls within the following ranges:	2017
Infrastructure (with components)	10–35 years
Computer equipment	2–12.5 years
Motor vehicles	4–12.5 years
Other plant and equipment	5–20 years

There were no changes in the depreciation rates in 2017.

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

Intangible assets

Recognition and measurement

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

Subsequent costs

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

Amortisation

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

The estimated useful lifes for licences and software are between 3 and 10 years. The estimated useful lifes for superficies are the same as the period for which superficies has been assigned.

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

Inventories

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

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

Impairment

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

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

If a decrease in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss previously recognised in equity is removed from equity and recognised in the income statement. The amount of cumulative loss removed from equity 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 already previously recognised 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 that it may be presumed will not be settled by the standard deadline or settled in full are deemed doubtful, or disputed if judicial proceedings have been initiated over them. The recoverability of each receivable is assessed when the adjustment is made. Operating expenses are recognised according to their impairment. Insofar as there is any uncertainty regarding repayment when the receivables arise, the value adjustment is created via a reduction in operating revenue.

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

<u>Calculating the recoverable amount</u>

The recoverable amount of financial assets held-to-maturity and receivables disclosed at amortised cost is calculated as the present value of estimated 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 in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of a held-to-maturity security or receivable disclosed at amortised cost 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 a financial asset in an equity instrument 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 is reversed and the amount of the reversal 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

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

Profit-sharing

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

Employee benefits

(a) Pension liabilities and post-employment benefits

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

(b) Termination benefits

The company pays termination benefits when employment is terminated before the normal retirement date, or when employees take voluntary redundancy in exchange for a payment. The company recognises termination benefits when a decision has been explicitly made to terminate the employment of a current employee in accordance with a detailed official plan without the possibility of withdrawal, or to provide termination benefits on the basis of an offer encouraging voluntary redundancy. Termination benefits falling due more than 12 months after the reporting date are disclosed at present value.

(c) Non-current employee benefits

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

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

Government grants

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

Leases

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

Other leases are treated as operating leases.

Provisions

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

Provisions for termination benefits and jubilee benefits

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

Accrued and deferred items

Non-current accrued and deferred items

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

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

Current accrued and deferred items

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

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

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 rendered. 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.

State aid

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

Expenses

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

Finance income and expenses

Finance income includes interest revenues, dividend income, capital gains from the disposal of available-for-sale financial assets and positive exchange differences recognised in the income statement.

Interest revenues on financial assets are recognised as they arise using the effective interest rate method. Revenues from default interest are recognised upon payment. Dividend income is recognised in the income statement on the day the shareholder’s right to payment is exercised, which for stock-exchange listed companies is generally the ex-dividend date.

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

Income tax expense

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

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

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

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

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

The following new standards and interpretations issued by International accounting standards Board (IASB) will become effective for the annual periods beginning on or after 1 January 2018 or later and were not early adopted by the Company.

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

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is

measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018. Endorsed by EU with the same effective date).

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

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

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019. Endorsed by EU with the same effective date).

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

The company is currently assesing the impact of the amendments on its accounting standards.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018. Endorsed by EU with the same effective date).

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard

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

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

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

Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019. Not yet endorsed by EU). For the company, the amended IAS 12 is applicable, which explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits.

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

5 NOTES TO THE FINANCIAL STATEMENTS

5.1 NOTES TO THE BALANCE SHEET

5.1.1 INTANGIBLE ASSETS AND NON-CURRENT PREPAYMENTS AND ACCRUED INCOME

in euros

Intangible assets and non-current prepayments and accrued income	2017	2016
Intangible assets	9,222,385	8,477,928
Non-current prepayments and accrued income	7,638	15,411
Total	9,230,023	8,493,339

in euros

	Licences, software	Property rights	Intangible assets in acquisition	Total
HISTORICAL COST				
31.12.2016	2,144,843	8,411,721	94,324	10,650,888
Acquisitions	0	0	1,267,331	1,267,331
Capitalisations	245,106	602,893	-847,999	0
Eliminations	-2,013	-32,067	0	-34,080
31.12.2017	2,387,936	8,982,547	513,656	11,884,139
IMPAIRMENT				
31.12.2016	1,545,476	627,484	0	2,172,960
Amortisation	268,475	225,138	0	493,613
Eliminations	-2,013	-2,806	0	-4,819
31.12.2017	1,811,938	849,816	0	2,661,754
CARRYING AMOUNT				
31.12.2016	599,367	7,784,237	94,324	8,477,928
31.12.2017	575,998	8,132,731	513,656	9,222,385
HISTORICAL COST				
31.12.2015	1,956,440	8,335,350	45,285	10,337,075
Acquisitions	0	0	322,602	322,602
Capitalisations	188,403	85,160	-273,563	0
Eliminations	0	-8,789	0	-8,789
31.12.2016	2,144,843	8,411,721	94,324	10,650,888
IMPAIRMENT				
31.12.2015	1,361,863	419,160	0	1,781,023
Amortisation	183,613	208,983	0	392,596
Eliminations	0	-659	0	-659
31.12.2016	1,545,476	627,484	0	2,172,960
CARRYING AMOUNT				
31.12.2015	594,577	7,916,190	45,285	8,556,052
31.12.2016	599,367	7,784,237	94,324	8,477,928

Intangible assets amounted to EUR 9,222,385 as at 31 December 2017 and are free of encumbrance.

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

The fee for the right of superficies is paid in annual instalments. The company accordingly disclosed EUR 7,064,788 of non-current operating liabilities and EUR 432,908 of current operating liabilities as at 31 December 2017 (see notes 5.1.11 and 5.1.12).

An investment in the IAOP (initial airport operation plan) traffic information system in the total amount of EUR 464 thousand is disclosed under intangible assets in acquisition as at 31 December 2017. Part of this investment (EUR 422 thousand as at 31 December 2017) will contribute to improving processes to increase air traffic capacity, which will result in a reduction in delays over which the airport can exert an influence (deriving from procedures for handling passengers, aircraft and freight and airport operating procedures), as a result of which the project is being co-financed in the amount of 50% by EU funds in accordance with the Grant agreement under the connecting Europe facility (CEF), transport sector. Part of the funding in the amount of EUR 178 thousand was transferred to the company in 2016, of which EUR 171 thousand was undrawn as at 31 December 2017 and is disclosed under long-term deferred income (see note 5.1.10).

The company had commitments in the amount of EUR 119,750 thousand as at 31 December 2017 on the basis of contracts for the procurement of intangible assets that have been signed but not yet realised.

5.1.2 PROPERTY, PLANT AND EQUIPMENT

in euros

Property, plant and equipment	2017	2016
Land	15,208,607	14,983,770
Infrastructure	48,344,486	49,140,547
Plant and equipment	9,082,157	7,877,795
Property, plant and equipment in acquisition	3,690,431	5,457,325
Total	76,325,681	77,459,437

in euros

	Land	Infrastructure	Plant and equipment	Plan and equipment not in use	Property, plant and equipment in acquisition	Total
HISTORICAL COST						
31.12.2016	14,983,770	112,714,215	48,083,909	78,856	5,457,325	181,318,075
Acquisitions	0	0	0	0	4,806,632	4,806,632
Capitalisations	224,837	1,365,160	2,906,340	0	-4,496,337	0
Eliminations	0	0	-733,900	-78,856	-2,077,189	-2,889,945
31.12.2017	15,208,607	114,079,375	50,256,349	0	3,690,431	183,234,762
IMPAIRMENT						
31.12.2016	0	63,573,668	40,206,114	78,856	0	103,858,638
Depreciation	0	2,161,221	1,701,120	0	0	3,862,341
Eliminations	0	0	-733,042	-78,856	0	-811,898
31.12.2017	0	65,734,889	41,174,192	0	0	106,909,081
CARRYING AMOUNT						
31.12.2016	14,983,770	49,140,547	7,877,795	0	5,457,325	77,459,437
31.12.2017	15,208,607	48,344,486	9,082,157	0	3,690,431	76,325,681
HISTORICAL COST						
31.12.2015	14,976,147	111,971,952	46,825,233	54,222	4,441,818	178,269,372
Acquisitions	0	0	0	0	3,816,462	3,816,462
Capitalisations	7,623	816,309	1,849,991	0	-2,673,923	0
Transfer	0	0	-78,856	78,856	0	0
Eliminations	0	-74,046	-512,459	-54,222	-127,032	-767,759
31.12.2016	14,983,770	112,714,215	48,083,909	78,856	5,457,325	181,318,075
IMPAIRMENT						
31.12.2015	0	61,564,094	39,195,100	54,222	0	100,813,416
Transfer	0	0	-78,856	78,856	0	0
Depreciation	0	2,082,359	1,600,160	0	0	3,682,519
Eliminations	0	-72,785	-510,290	-54,222	0	-637,297
31.12.2016	0	63,573,668	40,206,114	78,856	0	103,858,638
CARRYING AMOUNT						
31.12.2015	14,976,147	50,407,858	7,630,133	0	4,441,818	77,455,956
31.12.2016	14,983,770	49,140,547	7,877,795	0	5,457,325	77,459,437

The property, plant and equipment disclosed as at 31 December 2017 was free of encumbrance, and there are no indications of impairment. Liabilities to suppliers of property, plant and equipment amounted to EUR 1,496,675 as at 31 December 2017.

<u>Land</u>

As at 31 December 2017 the company owned 34.7 hectares of brownfield and greenfield land in the cadastral municipalities of Grad, Šenčur, Cerklje na Gorenjskem, Velesovo and Zgornji Brnik.

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

Infrastructure

Activations increased the value of infrastructure by EUR 1,365,160 in 2017, and included the following major items:

in euros

	2017
Utilities charge for connection of facilities to public sewerage system	509,845
Aircraft hangar	377,273
New water supply system and water meters	189,688

Plant and equipment

Plant and equipment in the total amount of EUR 2,906,340 was activated in 2017. The majority of this amount comprises:

in euros

	2017
Renovation of navigation light system on manoeuvring areas	1,598,807
Air start unit	267,555
Toilet service vehicle	249,900
Lower deck loader	122,920

Property, plant and equipment in acquisition

Property, plant and equipment in acquisition amounted to EUR 3,690,431 as at 31 December 2017. The major investments in progress included in this amount were as follows:

in euros

	2017
Rerouting of main road	931,358
Aviation Academy (infrastructure and equipment)	726,885
Expansion of existing passenger terminal (primarily utilities charge already paid)	567,784
Traffic information system	464,285
Internal roads	410,437
Commercial-logistics zone	326,980

On the basis of a decision to expand the existing passenger terminal, which was approved by the owner (see point 1.2 of the Business Report), and the related fact that it will not be possible to use the project documentation previously drawn up for the T2 passenger terminal, the investment in progress in the new T2 passenger terminal in the amount of EUR 1,642 thousand was written off in 2017. The company disclosed other operating expenses (see note 5.2.2) in the aforementioned amount, which primarily relates to project documentation drawn up in previous years for the new T2 passenger terminal.

The company had commitments in the amount of EUR 2,500,014 thousand as at 31 December 2017 on the basis of contracts for the procurement of property, plant and equipment that have been signed but not yet realised.

Leased assets (inward)

The company held the following irrevocable lease agreements as at 31 December 2017:

in euros

Type of lease	Subject of lease	Period to expiry of lease	Costs in 2017
Operating lease	Warehousing and logistics facility	15 years	183,292
Operating lease	DCS information system for passenger registration	3 months	293,556
Total			476,848

Present value of future rents

in euros

Subject of lease	Up to one year	One to five years	Over five years
Warehousing and logistics facility	183,293	649,948	1,164,404
DCS information system for passenger registration	7,336	0	0
Total	190,629	649,948	1,164,404

A warehousing and logistics facility was sub-let for the period to September 2022 on the basis of an irrevocable agreement. The annual rent amounts to EUR 298,715. The present value of future rents for the period of January 2018 to September 2022 amounts to EUR 1,296,505 (EUR 298,715 for 2018, and EUR 997,790 for 2019 to 2022).

Leased assets (outward)

in euros

Type of lease	Subject of lease	Period to expiry of lease	Revenues in 2017
Operating lease	Warehousing and logistics facility	indefinite*	298,715
Operating lease	Aircraft maintenance hangar	5 years and 11 months	415,041
Operating lease	Warehousing and logistics facility	12.5 years from 1 August 2018	0
Operating lease	Aircraft hangar	5.5 months	34,942
Total			748,698

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

Present value of future rents

in euros

Subject of lease	Up to one year	One to five years	Over five years	Total
Warehousing and logistics facility	298,715	997,790	0	1,296,505
Aircraft maintenance hangar	415,041	1,471,715	2,636,627	4,523,383
Warehousing and logistics facility	132,500	1,127,612	1,704,955	2,965,068
Aircraft hangar	30,539	0	0	30,539
Total	876,795	3,597,117	4,341,582	8,815,495

in euros

Subject of lease	Historical cost	Impairment	Carrying amount
Warehousing and logistics facility	1,276,940	215,194	1,061,746
Aircraft maintenance hangar	4,118,943	699,061	3,419,882
Warehousing and logistics facility	971,104	274,585	696,519
Aircraft hangar	558,463	31,440	527,023
Total	6,925,450	1,220,280	5,705,170

5.1.3 INVESTMENTS IN ASSOCIATES

An investment in a 30.46% participating interest in Aerodrom Portorož, d.o.o. was disclosed in investments in associates as at 1 January 2017. The nominal value of the investment was EUR 1,251,878. The company created impairment in the entire amount in 2009.

The investment was sold in 2017, thereby generating a gain in the amount of EUR 199 thousand (see note 5.2.3).

The investment in the associate is described in detail in Point 1.3.5 of the Business Report and Point 4.3 of the Financial Report.

5.1.4 NON-CURRENT FINANCIAL ASSETS

in euros

Non-current financial assets - available-for-sale financial assets	2017	2016
Bonds	0	302,000

in euros

Available-for-sale financial assets 2017	Gross value	Value adjustment	Net value
Bonds	169,824	-169,824	0
Unquoted shares and participating interests	125,144	-125,144	0
Total	294,968	-294,968	0

in euros

Available-for-sale financial assets 2016	Gross value	Value adjustment	Net value
Bonds	471,824	169,824	302,000
Unquoted shares and participating interests	125,144	125,144	0
Total	596,968	294,968	302,000

in euros

Change in impairment of non-current financial assets	2017	2016
Balance as at 1 January	294,968	449,281
Newly created impairments	0	72,147
Sales	0	153,371
Write-downs	0	73,089
Balance as at 31 December	294,968	294,968

Bonds (RS53) in the amount of EUR 302,000 mature in April 2018 according to their amortisation schedule, for which reason they are disclosed under current financial assets as at 31 December 2017.

in euros

Changes in 2017	1.1.2017	Revaluation	Impairment	Sales	Transfer to current financial assets	31.12.2017
Bonds	302,000	9,060	0	0	311,060	0

in euros

Changes in 2016	1.1.2016	Revaluation	Impairment	Sales	Transfer to current financial assets	31.12.2016
Bonds	714,320	-23,952	0	0	388,368	302,000
Quoted shares	275,846	-14,879	208	260,759	0	0
Mutual funds	1,578,468	61,545	0	1,640,013	0	0
Unquoted shares and participating interests	701,204	0	71,939	629,265	0	0
Total	3,269,838	22,714	72,147	2,530,037	388,368	302,000

Effect of financial assets on equity and profit or loss

in euros

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

in euros

Effect of financial assets on equity in 2016 (changes in revaluation surplus from financial assets)	1.1.2016	Revaluation	Transfer to finance income	Effect of increase in tax rate	31.12.2016
Bonds (non-current and current)	53,919	-63,129	10,500	0	-19,710
Quoted shares	158,519	-14,879	143,640	0	0
Mutual funds	181,290	61,545	242,835	0	0
Total	393,728	-16,463	396,975	0	-19,710
Adjustment for deferred tax liabilities	66,934	-2,799	67,486	-394	-3,745
Revaluation of surplus from financial assets	326,794	-13,664	329,489	394	-15,965

in euros

Effect of financial assets on profit or loss	2017	2016
Capital gains on sale of participating interests, shares and mutual bonds	199,217	934,556
Interest on bonds	21,142	37,537
Interest on short-term deposits	143	16,857
Dividends on quoted shares	0	29,299
Capital gains on redemption of bonds	0	10,500
Total revenues	220,502	1,028,749
Commission on financial assets	253	555
Expenses from impairments of financial assets	0	72,147
Total expenses	253	72,702

5.1.5 Deferred tax assets

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

in euros

Deferred tax assets and deferred tax liabilities	2017	2016
Deferred tax assets	473,915	581,587
Deferred tax liabilities	727	-3,745
Netted deferred tax assets	473,188	585,332

in euros

Deferred tax assets, from:	2017	2016
Impairment of current operating receivables	156,780	195,772
Provisions for jubilee benefits and termination benefits	150,845	144,438
Amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO	110,187	66,346
Impairment of financial assets	56,103	56,103
Impairment of the investment in associates	0	118,928
Total	473,915	581,587

in euros

Deferred tax liabilities, from:	2017	2016
Revaluation of financial assets to fair value	727	-3,745

5.1.6 CURRENT FINANCIAL ASSETS

in euros

Current financial assets	2017	2016
Bonds	315,819	374,091
Other current financial assets	1,070	0
Total	316,889	374,091

Current financial assets are not pledged as collateral.

in euros

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

in euros

Current financial assets 2016	Gross value	Value adjustment	Net value
Bonds:	374,401	310	374,091
- of which principal	348,827	0	348,827
- of which interest	25,574	310	25,264

in euros

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

in euros

Changes in 2016	1.1.2016	Increase	Transfer from non-current financial assets	Revaluation	Decrease	31.12.2016
Short-term deposits at banks	17,268,616	163,816,857	0	0	-181,085,473	0
Bonds	109,924	37,537	388,368	-39,177	-122,561	374,091
- of which principal	84,311	0	388,368	-39,177	-84,675	348,827
- of which interest	25,613	37,537	0	0	-37,886	25,264
Total	17,378,540	163,854,394	388,368	-39,177	-181,208,034	374,091

The effect of current financial assets on the profit is presented as part of non-current financial assets (point 5.1.4 of the Financial Report).

5.1.7 CURRENT OPERATING RECEIVABLES

in euros

Current operating receivables	2017	2016
Current trade receivables	4,530,460	2,936,519
Current receivables for advances given	131,606	68,584
Other current receivables	125,276	141,571
Total	4,787,342	3,146,674

in euros

Current operating receivables 2017	Gross value	Value adjustment	Net value
Current trade receivables	5,415,016	-884,556	4,530,460
Current receivables for advances given	131,606	0	131,606
Other current receivables	125,276	0	125,276
Total	5,671,898	-884,556	4,787,342

in euros

Changes in impairment of receivables	2017	2016
Balance as at 1 January	1,067,174	1,160,160
Creation via operating expenses	3,891	35,926
Creation via decrease in operating revenues	23,435	31,403
Payments received of already impaired receivables	-34,956	-296
Receivables written off	-174,988	-160,019
Balance as at 31 December	884,556	1,067,174

in euros

Other current receivables	2017	2016
VAT assets	102,348	116,647
Other current receivables	22,928	24,924
Total	125,276	141,571

5.1.8 CASH AND CASH EQUIVALENTS

in euros

Cash and cash equivalents	2017	2016
Cash in bank balances	18,051,204	26,051,393
Cash on hand	46,618	44,001
Total	18,097,822	26,095,394

5.1.9 EQUITY

Equity amounted to EUR 93,545,931 as at 31 December 2017, up 8.6% or EUR 8,839,564 on 31 December 2016. It accounted for 85.3% of total equity and liabilities (compared with 87.7% as at

31 December 2016). The company did not hold any share in treasury or any authorised capital as at 31 December 2017, and the owner did not pass any resolution to increase the nominal capital. The changes in equity in 2017 and 2016 are disclosed in the statement of changes in equity (point 3.4 of the Financial Report).

The nominal capital was unchanged from 31 December 2016 at EUR 15,842,626.

Capital surplus

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

Profit reserves

in euros

Profit reserves	2017	2016
Legal reserves	4,013,029	4,013,029
Reserves under the Articles of Association	12,039,085	12,039,085
Other profit reserves	27,881,760	27,881,760
Total	43,933,874	43,933,874

Revaluation surplus

in euros

Revaluation surplus	2017	2016
Revaluation surplus on available-for-sale financial assets (minus deferred tax liabilities)	3,099	-15,965
Unrealised actuarial loss from post-employment benefits (Note 5.1.10)	-221,269	-161,020
Total	-218,170	-176,985

The changes in the revaluation surplus on available-for-sale financial assets are disclosed in point 5.1.4 of the Financial Report (Effect of financial assets on equity and profit or loss).

Retained earnings

Retained earnings in the amount of EUR 9,699,942 comprise the residual distributable profit for 2016 in the amount of EUR 53,395 (minus the realised actuarial loss from post-employment benefits in the amount of EUR 5,044 in 2017) and net profit from 2017 in the amount of EUR 9,646,547.

Distributable profit

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

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

in euros

Formation of distributable profit	2017	2016
Net profit for the period	9,646,547	9,047,712
+ retained earnings	53,395	9,450,609
= distributable profit	**9,699,942**	**18,498,321**
- payment to owner		18,498,321
= remaining distributable profit		0

5.1.10 PROVISIONS AND NON-CURRENT ACCRUALS AND DEFERRED INCOME

Provisions and non-current accruals and deferred income in the total amount of EUR 1,715,452 relate to:

- provisions for employee termination benefits and jubilee benefits, the requisite amount of which was determined by actuarial calculation (EUR 1,370,622),
- long-term deferred income for grants received in 1993 and 1994 from the Slovenian state budget for property, plant and equipment in the amount of EUR 97,841; the amount of the draw-down is the depreciation charge for these assets in 2017 (other operating revenues are disclosed in the same amount),
- long-term deferred income from EU funding received but still undrawn for co-financing the IAOP project in the amount of EUR 171,205 (see note 5.1.1),
- deferred income from easement acquired free-of-charge on government-owned land on which the Šenčur anti-noise barrier was planted (EUR 75,784).

in euros

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

in euros

Changes in 2016	Balance as at 1.1.2016	Utilisation	Formation	Actuarial loss	Balance as at 31.12.2016
Provisions for jubilee benefits	366,899	31,021	30,275	10,190	376,343
Provisions for termination benefits	793,866	12,189	53,806	59,395	894,878
Long-term deferred income: grants for property, plant and equipment	103,496	2,827	0	0	100,669
Long-term deferred income: EU funds for co-financing IAOP project	0	0	178,147	0	178,147
Long-term deferred income: free-of-charge acquisition of easement on government-owned land (anti-noise barrier)	0	0	84,300	0	84,300
Total	1,264,261	46,037	346,528	69,585	1,634,337

Provisions for termination benefits and jubilee benefits were created in the amount of estimated future commitments for termination benefits and jubilee benefits, discounted to the balance sheet date. The calculation was made for each employee, taking into account the costs of termination benefits and the cost of all expected jubilee benefits until retirement. The calculation allows for growth in the amounts of retirement benefits and jubilee benefits set out in the decree on the treatment of the reimbursement of costs and other employment earnings for tax purposes in the amount of 2.5% in 2018 and 2.5% annually in subsequent years.[1] The forecast staff turnover at the company and projected wage growth have been taken into account. The selected annual discount rate is 1.6%, in accordance with the owner's guidelines. The calculation was drawn up by a certified actuary using the projected unit method.

in euros

Changes in provisions for termination benefits and jubilee benefits	Termination benefits	Jubilee benefits	Total
Balance of provisions as at 31 December 2016	894,878	376,344	1,271,222
Current service cost	39,936	21,977	61,913
Interest cost	15,138	6,465	21,603
Draw-down	-25,140	-35,616	-60,756
Change in financial assumptions (actuarial loss)	40,964	3,615	44,579
Experience (actuarial gain)	24,328	7,733	32,061
Balance of provisions as at 31 December 2017	990,104	380,518	1,370,622

in euros

Sensitivity analysis to important actuarial assumptions	Termination benefits	Jubilee benefits	Total
Baseline scenario	990,104	380,518	1,370,622
Discount rate: -0.5 percentage points	1,061,728	399,759	1,461,487
Discount rate: +0.5 percentage points	925,176	362,745	1,287,921
Salary growth: -0.5 percentage points	925,738	362,811	1,288,549
Salary growth: +0.5 percentage points	1,060,337	399,487	1,459,824

5.1.11 NON-CURRENT OPERATING LIABILITIES

in euros

Non-current operating liabilities	2017	2016
Liabilities under the general agreement on superficies (Note 5.1.1)	7,064,788	6,612,855
Liabilities for municipal charge for North Car Park	345,604	345,604
Liabilities for superficies for aircraft maintenance hangar	66,770	67,271
Trade payables for security deposits	29,381	6,842
Total	7,506,543	7,032,572

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

5.1.12 CURRENT OPERATING LIABILITIES

in euros

Current operating liabilities	2017	2016
Current trade payables	4,230,544	2,450,266
Current liabilities for advances	73,978	81,968
Current liabilities for security deposits	224,958	155,547
Current liabilities to employees	1,069,794	1,016,484
Current liabilities for income tax expense	158,022	1,135,264
Current portion of liabilities under the general agreement on superficies (Note 5.1.1)	432,908	387,190
Current liabilities for unpaid dividends	35,981	94,420
Other current liabilities	49,298	66,477
Total	6,275,483	5,387,616

5.1.13 OFF-BALANCE-SHEET ASSETS AND LIABILITIES

in euros

Off-balance-sheet assets and liabilities	2017	2016
Off-balance-sheet assets, from:	4,281,447	3,203,123
- Received quarantees	2,830,373	1,750,056
- Received declarations of surety	1,400,000	1,400,000
- Receivables from default interest	51,074	53,067
Off-balance-sheet liabilities, from:	30,608	1,408,111
- Bills of exchange given	23,608	23,608
- Quarantees given	7,000	1,384,503

5.2 NOTES TO THE INCOME STATEMENT

5.2.1 OPERATING REVENUES

in euros

Operating revenues	2017	2016
Net sales revenue, from:	41,673,031	35,990,655
- Revenues from domestic sales of services	27,156,644	23,690,621
- Revenues from sales of services to the rest of the world	14,514,121	12,298,255
- Revenues from domestic sales of materials	2,266	1,779
Other operating revenues	216,614	77,913
Total	41,889,645	36,068,568

Other operating revenues include EUR 58 thousand of revenue from the reversal of accruals on the basis of two judicial proceedings (closed in 2017 in the company's favour), EUR 33 thousand of revenue from repayments of receivables for which impairments had been created in previous years, EUR 30 thousand of revenue for write-offs of liabilities from previous years, and EUR 23 thousand of revenue from co-financing of labour costs and costs of services incurred in 2017 in the IAOP project (see note 5.1.1).

5.2.2 OPERATING EXPENSES

in euros

Operating expenses	2017	2016
Costs of materials	1,688,744	1,642,792
Cost of services	9,028,696	7,428,792
Labour costs	13,073,158	12,529,015
Depreciation and amortisation	4,355,945	4,075,115
Other operating expenses	2,056,902	414,751
Total	30,203,445	26,090,465

in euros

Costs of materials	2017	2016
Electricity	472,307	488,576
Non-durables	371,760	310,249
Materials for current maintenance	211,558	233,046
Heating oil	206,085	162,571
Motor fuel	187,439	171,864
Small inventory (work clothes and protective means)	87,497	136,410
Other costs of materials	152,098	140,076
Total	1,688,744	1,642,792

in euros

Cost of services	2017	2016
Security costs	1,732,185	1,770,747
Maintenance costs	1,086,722	959,982
Advertising costs	1,746,233	874,334
Intellectual services	946,796	805,967
Services related to the performance of the company's basic activity	598,664	539,672
Services of the Civil Aviation Agency	502,225	417,050
Work through students service	524,775	337,622
Insurance premiums	333,478	314,321
Software services	277,245	192,685
Healthcare services	231,944	218,253
Reimbursement of work-related expenses	220,660	206,473
Leasing costs	215,307	206,244
Other services	612,462	585,442
Total	9,028,696	7,428,792

in euros

Labour costs	2017	2016
Wages	9,404,857	8,934,751
Social security costs	1,598,904	1,607,670
Reimbursement of meal expenses	552,661	532,952
Reimbursement of travel expenses	472,729	458,431
Annual leave payment	482,701	458,068
Supplementary pension insurance	330,805	321,092
Creation of provisions for termination benefits and jubilee benefits	73,261	70,321
Already included costs of unused leave as at 31 December	72,342	39,186
Other labour costs	84,898	106,544
Total	13,073,158	12,529,015

The implementation of the IAOP traffic information system incurred costs of services in the amount of EUR 3 thousand and labour costs in the amount of EUR 43 thousand in 2017, which are co-financed in the amount of 50% by the EU (see notes 5.1.1 and 5.2.1).

in euros

Depreciation and amortisation	2017	2016
Amortisation of intangible assets	493,613	392,596
Depreciation of property, plant and equipment	3,862,332	3,682,519
Total	4,355,945	4,075,115

in euros

Other operating expenses	2017	2016
Loss on elimination of non-current assets	1,642,636	127,032
Compensation for the use of building right	238,685	111,599
Compensation	61,098	23,301
Other expenses	114,483	152,819
Total	2,056,902	414,751

The loss on the elimination of non-current assets in the amount of EUR 1,642,636 was the result of the write-off of the investment in the new T2 passenger terminal (see note 5.1.2).

5.2.3 FINANCE INCOME AND EXPENSES

in euros

Finance income	2017	2016
Capital gains from the sale of participating interests, shares and mutual funds	199,217	934,556
Interest on bonds and deposits	21,285	54,394
Default interest	16,943	21,939
Exchange rate differences	1,392	1,815
Dividends	0	29,299
Capital gains on redemption of bonds	0	10,500
Other finance income	90	59
Total	238,927	1,052,562

The company realised a capital gain in the amount of EUR 199 thousand during the sale of its 30.46% participating interest in Aerodrom Portorož d.o.o. (see note 5.1.3).

in euros

Finance expenses	2017	2016
Interest on superficies*	324,700	315,231
Interest on provisions for termination benefits and jubilee benefits	21,603	25,967
Capital loss on bonds	2,542	0
Impairment of financial assets	0	72,147
Other operating expenses	2,880	5,618
Total	351,725	418,963

* general agreement on superficies (EUR 320,946) and superficies for aircraft maintenance hangar (EUR 3,754)

5.2.4 INCOME TAX EXPENSE AND DEFERRED TAX

in euros

Income tax expense and deferred tax	2017	2016
Income tax expense levied	1,819,183	1,621,421
Deferred tax	107,672	-57,431
Total	1,926,855	1,563,990

As of 1 January 2017 the corporate income tax rate has increased from 17% to 19%.

in euros

Effective income tax expense rate	2017	2016
Pre-tax profit	11,573,402	10,611,702
Anticipated income tax expense (2017: 19%, 2016: 17%)	2,198,946	1,803,989
Reduction in revenues	-25,454	-5,031
Increase/decrease in expenses	-114,812	83,344
Tax relief	-235,180	-254,351
Transition to IFRS	-10,190	-6,851
Other adjustments	5,872	321
Deferred tax	0	0
Income tax expense	1,819,182	1,621,421
Effective tax rate	15.7%	15.3%

in euros

Effect of deferred tax on performance	2017	2016
Change in deferred tax assets from impairment of financial assets	118,928	7,809
Change in deferred tax assets from impairment of trade receivables	38,992	530
Change in deferred tax assets from provisions for jubilee benefits and employee termination benefits	-6,407	-25,112
Change in deferred tax assets from amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO	-43,841	-40,657
Total	107,672	-57,430

5.2.5 OTHER COMPREHENSIVE INCOME FOR THE PERIOD

in euros

Other comprehensive income	2017	2016
Items that could subsequently be reclassified to profit or loss	**19,063**	**-342,758**
Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets	**23,535**	**-413,437**
- gain/(loss) recognised as revaluation surplus	20,993	-16,463
- transfer of gain/(loss) from revaluation surplus to profit or loss	2,542	-396,974
Corporate income tax in connection with items that could subsequently be reclassified to profit or loss	**-4,472**	**70,679**
- in connection with gain/(loss) recognised as revaluation surplus	-3,989	3,193
- in connection with transfer of gain/(loss) from revaluation surplus to profit or loss	-483	67,486
Items that subsequently will not be reclassified to profit or loss	**-60,248**	**-57,811**
Unrealised actuarial profit/loss from post-employment benefits	-65,292	-59,397
Realised actuarial loss (after payment of post-employment benefits)	5,044	1,586
Total	**-41,185**	**-400,569**

Changes in financial assets that result in other comprehensive income are explained under non-current financial assets (see note 5.1.4 - Effect of financial assets on equity and profit or loss).

5.3 NOTES TO THE CASH FLOW STATEMENT

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

Material adjustments taken into account in the preparation of the cash flow statement for 2017	in euros
Correction of revision to operating receivables and operating liabilities for reason of offset of receivables and liabilities	1,126,010
Correction of revision to operating liabilities and outflows for acquisition of property, plant and equipment for reason of increase in trade payables for property, plant and equipment	913,252
Correction of non-current operating liabilities and outflows for acquisition of intangible assets for reason of increase in general superficies	602,893
Inflows from sale of property, plant and equipment	446,251
Correction of operating revenues and of accruals and deferred income for advance discounts for customers under current incentive scheme	409,172

5.4 FINANCIAL RISKS

Credit risk

in euros

Company's maximum exposure to credit risk	2017	2016
Non-current financial assets	0	302,000
Current financial assets	316,889	374,091
Non-current operating receivables	59,873	59,873
Current operating receivables	4,787,342	3,146,674
Cash and cash equivalents	18,097,821	26,095,394
Total	23,261,925	29,978,032

in euros

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

in euros

Structure of financial assets by maturity as at 31.12.2016	Up to three months	Three months to one year	One to five years	Total
Non-current financial assets	0	0	302,000	302,000
Current financial assets	0	374,091	0	374,091
Current operating receivables	3,064,425	82,249	0	3,146,674

Financial assets are explained in Points 5.1.4, 5.1.6, 5.1.7 and 5.1.8 of the Financial Report.

Liquidity risk

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

in euros

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

in euros

Structure of liabilities by maturity as at 31.12.2016	Up to three months	Three months to one year	One to five years	Over five years	Total
Current operating liabilities	5,387,616	0	0	0	5,387,616
Non-current operating liabilities	0	1,936	694,692	6,335,944	7,032,572
Provisions and non-current accruals and deferred income	707	100,310	301,988	1,231,332	1,634,337

Interest rate risk

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

Currency risk

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

Fair value

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

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

in euros

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

in euros

Classification of financial instruments at fair value as at 31 December 2016	Level 1	Level 3	Total
Non-current financial assets - available-for-sale-financial assets	302,000	0	302,000
Non–current operating receivables	0	59,873	59,873
Current financial assets - available-for-sale-financial assets	374,091	0	374,091
Current operating receivables	0	3,146,674	3,146,674
Non–current operating liabilities	0	7,032,572	7,032,572
Current operating liabilities	0	5,387,616	5,387,616

5.5 OTHER EXPLANATORY NOTES

5.5.1 SIGNIFICANT EVENTS AFTER THE END OF 2017

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

A new direct service from Ljubljana to Berlin was announced by easyJet, a leading European low-cost airline, on 30 January 2018. The summer route will operate three flights a week from 9 August 2018.

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

Slovenia’s Olympic torch arrived at the airport on 1 February 2018, where it remained burning until the end of the games. Ljubljana Jože Pučnik Airport is a gold partner of the Slovenian Olympic Committee, which was one of the reasons that the airport was decorated with the Olympic rings. In addition to the torch, the airport also featured a book of well-wishes, where passengers and visitors could express their best wishes and support our sporting heroes as they fly to far-off Korea.

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

5.5.2 RELATIONS WITH AFFILIATES

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

In 2017 certain transactions were executed with the controlling company Fraport AG, and are disclosed in the table below. No transactions were executed with other companies in the Fraport Group in 2017.

in euros

Transactions with the controlling company Fraport AG	2017
Operating revenues	843
Operating expenses	598,383
Acquisition of non-current assets	37,225

The company disclosed liabilities in the amount of EUR 10,941.78 and receivables in the amount of EUR 214 vis-à-vis Fraport AG as at 31 December 2017.

The investment in an associate, a 30.46% participating interest in Aerodrom Portorož d.o.o., was sold in 2017 (see note 5.1.3).

5.5.3 REMUNERATION OF MANAGEMENT IN 2017

The remuneration of the managing director and the procurator amounted to EUR 341,704 in 2017. The aforementioned amount relates to gross salary, reimbursement of meal expenses, leave allowance and fringe benefits.

The company did not approve any advances or loans or provide any guarantees for the management in 2017, nor did it disclose any receivables or liabilities vis-à-vis the management as at 31 December 2017, other than wages and salaries from December, which were paid in January 2018.

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

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

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

5.5.5 TOTAL PAYMENTS TO AUDITORS

The company paid EUR 8,000 to Deloitte revizija d.o.o. and EUR 10,900 to PwC, podjetje za revizijo in druge finančno računovodske storitve, d.o.o. in 2017 for auditing services.