



ANNUAL REPORT 2019

Fraport Slovenija, d.o.o.

April 2020

CONTENTS

| | |
|------------------------------------------------------------------------|----|
| A WORD FROM THE MANAGING DIRECTOR | 3 |
| BUSINESS REPORT | 5 |
| 1 INTRODUCTION | 5 |
| 1.1 PERFORMANCE HIGHLIGHTS | 5 |
| 1.2 SIGNIFICANT EVENTS | 6 |
| 1.3 BASIC INFORMATION ABOUT THE COMPANY..... | 8 |
| 1.4 CORPORATE GOVERNANCE STATEMENT | 12 |
| 1.5 DECLARATION IN ACCORDANCE WITH ARTICLE 545 OF THE ZGD-1 | 14 |
| 2 PERFORMANCE IN 2019 AND PLANS FOR 2020 | 15 |
| 2.1 SITUATION IN EUROPEAN AVIATION | 15 |
| 2.2 ECONOMIC SITUATION IN SLOVENIA..... | 15 |
| 2.3 MARKET POSITION AND MARKETING ACTIVITIES..... | 16 |
| 2.4 PERFORMANCE ANALYSIS..... | 20 |
| 2.5 INVESTMENTS | 27 |
| 2.6 EMPLOYEES..... | 27 |
| 2.7 PLANS FOR 2020..... | 29 |
| 3 RISK MANAGEMENT | 30 |
| 4 SUSTAINABLE DEVELOPMENT | 32 |
| FINANCIAL REPORT | 35 |
| 1 STATEMENT OF MANAGEMENT | 35 |
| 2 INDEPENDENT AUDITOR'S REPORT | 36 |
| 3 FINANCIAL STATEMENTS..... | 39 |
| 3.1 BALANCE SHEET | 39 |
| 3.2 INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME | 40 |
| 3.3 CASH FLOW STATEMENT..... | 41 |
| 3.4 STATEMENT OF CHANGES IN EQUITY..... | 42 |
| 4 SIGNIFICANT ACCOUNTING POLICIES | 43 |
| 4.1 REPORTING COMPANY..... | 43 |
| 4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS..... | 43 |
| 4.3 SIGNIFICANT ACCOUNTING POLICIES..... | 45 |
| 5 NOTES TO THE FINANCIAL STATEMENTS | 58 |

| | | |
|-----|---------------------------------------|----|
| 5.1 | NOTES TO THE BALANCE SHEET | 58 |
| 5.2 | NOTES TO THE INCOME STATEMENT | 72 |
| 5.3 | NOTES TO THE CASH FLOW STATEMENT..... | 77 |
| 5.4 | FINANCIAL RISKS | 77 |
| 5.5 | OTHER EXPLANATORY NOTES..... | 79 |

A WORD FROM THE MANAGING DIRECTOR

A historic landmark year

Last year was truly a momentous year in the history of the airport. In my estimation is that it can only be measured against the time during the period of independence, when traffic at the airport was completely stopped for a while and when a large part of the market was lost. The year brought the bankruptcy of Adria Airways, which triggered major changes in the structure of traffic and significant investment in airport infrastructure, most notably a start on construction of the new terminal.

We ended 2019 with passenger numbers of 1,727,136, down 5% on 2018. There were 31,489 aircraft movements down 11.3%, and cargo of 24,875 tonnes, down 4% on the previous year. The drop-in traffic can be attributed to the bankruptcy of the domestic carrier, which up to its insolvency in early September had accounted for nearly half of all passengers at Ljubljana Airport.

Notwithstanding the fall in traffic, operating revenues were up almost 2% on 2018 at EUR 47,276 thousand. Costs excluding depreciation/amortisation amounted to EUR 31,003 thousand, up 14% on 2018, largely as a result of a rise in labour costs. EBIT amounted to EUR 10,831 thousand, down 25.5% on the previous year, while net profit was down 26.4% at EUR 8,733 thousand.

The collapse of Adria Airways had an impact on the entire financial year. In the months before its bankruptcy our team performed large efforts to minimise the risk exposure from the business difficulties of our largest partner Adria's debt did not present a threat to Fraport Slovenia, but did have an effect on us, which we tried to adapt to mainly by controlling costs. Fraport Slovenia has strived for several years to formulate a sufficiently flexible employment policy to be able to adapt to traffic fluctuations. In light of the sudden decline in traffic, it was necessary to temporarily adjust the headcount. Following the bankruptcy of the national flag carrier, contracts were terminated with agency workers, and we also halved the number of student work hours, but there was no need for any impact on full-time staff.

Fraport Slovenia worked intensively during the year with the airlines who were the best candidates for filling the gap left by Adria Airways. Nine of the 29 routes in the summer timetable were lost when Adria Airways stopped flying. In the winter timetable we have welcomed three new airlines to Brnik. Lufthansa, Swiss International Air Lines and Brussels Airlines have launched routes to Frankfurt, Munich, Zürich and Brussels. The majority of the other airlines flying to Ljubljana Airport have increased their flight frequencies or started using larger planes. In the winter timetable 12 airlines operated scheduled flights. In short time we managed to set up routes to major European hubs, and our activities were focused on optimising the timetable and expanding the flight network.

It was predicted for the 2020 summer timetable to increase flights and routes with at least another five airlines: British Airways planned to operate four flights a week to London Heathrow, Iberia four flights a week to Madrid, Finnair daily service to Helsinki, Windrose twice a week fly to Kiev, and Israir also twice a week fly to Tel Aviv. Expectations for charter traffic for this year were on the level similar to last year. Charter airline Trade Air predicted to use Ljubljana Airport as a base for one aircraft.

Expectations for the further traffic development have completely changed in March 2020 as a result outbreak of the COVID-19 pandemic. The result was the cancellation of many flights and ban of

airport public passenger traffic by a decree of the Government of the Republic of Slovenia on March 17. Other European countries have taken similar measures to curb the virus, meaning that air traffic has stopped over Europe and globally. The consequences for the aviation industry that will arise from closed airports and grounded aviation fleets it's hard to estimate, but will be enormous. It is also unpredictable how fast and when the air traffic will recover. There is no doubt that some, especially smaller and financially problematic airlines, will remain on the ground forever.

Due to uncertainty of air traffic recovery, the expected air traffic of our airport and the company's financial results cannot be estimated. We immediately responded with the measures to minimise the costs for activities needed for necessary operation and security of the airport. We also postponed all non-urgent capex expenditures. We have taken the measures to decrease labour costs. All employees who are not required to support necessary working process at the time of traffic restrictions, are on temporary layoff.

For the time being, it was decided to continue the construction of the new passenger terminal.

Immediately after the reopening of the airport for passenger traffic, our primary task will be to restore traffic as quickly as possible and protect jobs of our employees. The history of our airport writes many stories of trials, business challenges, crisis management. We have proved in the past that we have been able to overcome all challenges so far. I am convinced that with the support of a professional and dedicated employees, we will succeed again and Ljubljana airport will be in the region the airport with outstanding infrastructure, offer of flights and services.

Zmago Skobir,

Managing Director



BUSINESS REPORT

1 INTRODUCTION

1.1 PERFORMANCE HIGHLIGHTS

| | 2019 | 2018 | Index 19 / 18 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|------------------|
| TRAFFIC | | | |
| Number of passengers | 1.727.136 | 1.818.229 | 95,0 |
| Aircraft movements | 31.489 | 35.512 | 88,7 |
| Cargo (in tonnes) | 24.875 | 26.044 | 95,5 |
| ANALYSIS OF PERFORMANCE in thousand euros | | | |
| Operating revenues | 47.276 | 46.483 | 101,7 |
| Net sales revenue | 45.321 | 46.258 | 98,0 |
| Operating expenses | 36.445 | 31.980 | 114,1 |
| EBITDA | 16.273 | 19.296 | 84,3 |
| EBIT – operating profit | 10.831 | 14.529 | 74,5 |
| Net finance income/expenses | -350 | -353 | 99,3 |
| Pre-tax profit | 10.481 | 14.177 | 73,9 |
| Net profit | 8.733 | 11.870 | 73,6 |
| Total comprehensive income of the period | 8.576 | 11.937 | 71,8 |
| Value added (operating revenues – costs of materials and services – other operating expenses excluding revaluation operating expenses and provisions) | 35.905 | 34.933 | 102,8 |
| BALANCE SHEET in thousand euros | | | |
| Assets as at 31. 12. | 132.212 | 126.321 | 104,7 |
| Equity as at 31. 12. | 113.703 | 105.102 | 108,2 |
| EMPLOYEES | | | |
| Number of employees 31. 12. | 478 | 483 | 99,0 |
| Average number of employees | 481,4 | 460,0 | 104,7 |
| INDICATORS | | | |
| EBITDA margin | 0,34 | 0,42 | 82,9 |
| EBIT margin | 0,23 | 0,31 | 73,3 |
| Net ROE – in % (net profit/average no. of employees based on hours worked) | 8,31% | 12,71% | 65,4 |
| Net ROA – in % (net profit/average assets) | 6,76% | 10,06% | 67,2 |

1.2 SIGNIFICANT EVENTS

SIGNIFICANT EVENTS OF 2019

JANUARY

On 22 January the company was recognised by Mojedelo.com, the largest employment portal in Slovenia, in its eighth year of awards for top employers in the country. Several thousand jobseekers took part in an in-depth survey, and this year they again ranked Fraport Slovenija as **one of the best employers** in the country. This is the sixth time, and the fourth year in a row, that Fraport Slovenija has received this accolade. It reflects our efforts over many years and of the fact that we base our practice on sustainable relations with our employees.

MARCH

A **new training centre, the Fraport Aviation Academy**, in which Fraport Slovenija has invested EUR 6 million, opened on 7 March. The training centre boasts more than 1,500 square metres of interior space for classrooms, simulators and other specialist equipment, while there is a drill area in front of the centre for simulations of fire situations, incapacitated aircraft and other accidents.

JUNE

A **contract for the construction and fitting work for the expansion of the passenger terminal** was signed on 27 June between Fraport Slovenija and the contractor selected by public tender, GIC Gradnje of Rogaška Slatina. The preparatory works began immediately after the contract worth EUR 17.3 million was signed. Besides the preparation of the land and documentation and some demolition works, the preparatory works also include arrangements for the internal road network and the redevelopment of some manoeuvring areas.

JULY

July saw Fraport Slovenija renew its **Airport Carbon Accreditation at the second level** (Reduction). CO₂ emissions per individual passenger and per 100 kg of cargo in 2018 were down 14.5% and 17.2% respectively on their averages between 2015 and 2017. Last year our CO₂ emissions were up 2.2% in absolute terms on the average over the previous three years (2015 to 2017), as a result of new emissions reporting for glycol, which is used in aircraft de-icing (excluding glycol emissions, the quantity of CO₂ would have been down 0.7%).

AUGUST

A **new service to Niš** was launched on 1 August, as Air Serbia expanded its flight network from Ljubljana Airport. There were two flights a week to Serbia's third-largest city in the summer timetable, on Mondays and Thursdays, and the route remained active in the winter timetable.

SEPTEMBER

In conjunction with the Fraport Aviation Academy and Electrolux Professional, the first **centre for total cleaning and decontamination of fire protection equipment** was opened in mid-September by Decontex SI. This is one of the most advanced centres in the world, with a decontamination technology based on liquid carbon dioxide.

Adria Airways announced its bankruptcy on 30 September. All Adria Airways flights from Brnik were suspended in the bankruptcy proceedings (Amsterdam, Brussels, Copenhagen, Frankfurt, Manchester, Munich, Paris, Podgorica, Prague, Pristina, Sarajevo, Skopje, Sofia, Tirana, Vienna and Zürich). The national flag carrier, which had been Fraport Slovenia's most important business partner since the opening of the airport in 1963, accounted for half of all passengers at Ljubljana Airport before its bankruptcy. In the immediate wake of the collapse, the first concern was for passengers left without flights, the security and order of other flight operations, and the immediate activation of the airport's traffic recovery plan.

OCTOBER

On 16 October we welcomed the **first flight of Swiss International Air Lines**, a member of the Lufthansa Group and the Star Alliance, from Zürich. The airline initially operated five flights a week to Ljubljana Airport, before upgrading to a daily service in the winter timetable (from 27 October). It is operating Embraer 190s and Airbus A220s.

Two major energy facilities were opened at the airport on 25 October: the **Fraport Slovenia central energy facility**, which supplies heating and cooling for the entire airport efficiently from a single location, a new Elektro Gorenjska substation, which will be the main source of supply for the medium-voltage network for the entire region of Gorenjska east of Kranj.

The winter timetable entered into force on 27 October, with several new developments: in addition to the aforementioned Swiss International Air Lines service, **Lufthansa launched twice-daily flights to Frankfurt and a daily service to Munich**, while on 4 November **Brussels Airlines expanded its services to offer six flights a week to Brussels**. The majority of the airlines previously present at Brnik significantly expanded their services in the winter timetable. Air France doubled its capacity to Paris: instead of six flights a week, it is operating a twice daily service to the French capital (other than Saturdays). LOT Polish Airlines upped its services to Warsaw from seven to eight flights a week. Air Serbia expanded its Belgrade service from 11 to 17 flights a week. Montenegro Airlines expanded its Podgorica service from four to six flights a week. Aeroflot expanded capacity on its Moscow service by using larger aircraft.

DECEMBER

The **renovated and expanded premises of the airport firefighting and rescue unit** were opened in a ceremony on 4 December, an important milestone for the unit, as the firefighters have now been provided with state-of-the-art workspace and equipment.

SIGNIFICANT EVENTS AFTER THE END OF 2019

MARCH 2020

In order to limit the spread of SARS-CoV-2 coronavirus, the Government of the Republic of Slovenia banned the operation of public air traffic in the Republic of Slovenia. **The operation of scheduled air passenger services to/from Jože Pučnik Ljubljana Airport has been temporary suspended.** The ban did not cover cargo traffic, special non-passenger air transport and individual government aircraft flights when the flights are for humanitarian and medical purposes.

Given the great uncertainty of the situation, we cannot predict the exact day that the airport will reopen to passenger traffic, as it depends on the effectiveness of measures to curb the spread of the virus. At the company we reacted immediately to the partial closure of airport, and placed more than half of our staff on furlough. We have drawn up a number of different scenarios that envisage various dates for the reopening of the airport. The more pessimistic scenario assumes that the airport will reopen on 1 July, and that passenger numbers will reach 698,000 this year. We are currently in a strong investment cycle, as we are in the middle of building the new passenger terminal, which needs to be completed by June 2021, when Slovenia's presidency of the Council of the European Union begins. For the moment we have decided to push ahead with the construction of the terminal, but we will decide whether to suspend construction according to how events develop on a moment-to-moment basis. Irrespective of the decline in passenger numbers and our heavy investment spending (we are earmarking more than EUR 19 million for investment between March and December 2020), we will have no liquidity difficulties this year. According to projections, we have sufficient cash at our disposal until February 2021. Even if traffic develops according to the pessimistic scenario, we will take out a long-term loan in the early part of next year to complete the construction of the terminal. Given that we are currently debt-free, we anticipate no problems in raising a long-term loan.

Even though passenger traffic was suspended on 17 March, we are not expecting any receivables to be written off. Receivables from airlines are insured with an insurer. For our customers who have requested an extension of payment terms, we have been able to extend their payment terms to 60 days for the period to 31 May 2020.

1.3 BASIC INFORMATION ABOUT THE COMPANY

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

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

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

BASIC INFORMATION

| | |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Company name | Fraport Slovenija, upravljanje letališč, d.o.o. Zg. Brnik 130A, 4210 Brnik - Aerodrom, Slovenija |
| Business address | Tel.: +386 (0)4 206 10 00 email: info@fraport-slovenija.si, http://www.fraport-slovenija.si |
| Activity code | 52.230 – other auxiliary activities in air transport |
| Company size | Large company according to Companies Act |
| Management of the company | Zmago Skobir, managing director |
| Procurators of company | Oliver Weiss, COO Babett Stapel, CCFAO |
| Number and date of entry of conversion to limited liability company in companies register | Entry: 2015/15628 on 14.4.2015 |
| Registration number | 5142768000 |
| VAT ID number | SI12574856 |
| Nominal capital as at 31.12.2019 | EUR 15.842.626,44 |
| Sole member | Fraport AG Frankfurt Airport Services Worldwide UniCredit Banka Slovenija d. d.: SI56 2900 0000 3291 455 |
| Transaction accounts | Nova ljubljanska banka, d. d. Ljubljana: SI56 0292 1001 4174 945 HypoVereinsbank Member of Unicredit, München: DE35 7002 0270 0015 7308 74 |
| Financial year | Calendar year |
| Number of employees as at 31.12.2019 | 483 |

1.3.1 CORE BUSINESS AND STRATEGIC PILLARS

To help the company realise its mission statement and its vision, the senior management has defined four strategic pillars that by 2025 will be the company's main sources of revenue:

1. Aviation (airport services and ground handling)
2. Commercial services
3. Cargo
4. Fraport Aviation Academy

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

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

Developing cargo traffic has been a strategic objective of the company for decades now. Last year saw high growth in the cargo segment, and this trend is likely to continue. The major logistics complexes moving to Brnik will also, to a certain extent, have a positive impact on air cargo traffic. Cargo infrastructural capacity is full, which means that meeting security and safety standards and our customers' expectations will soon require a decision about investment in infrastructure for air cargo traffic.

The airport sector (and aviation in general) is a highly technically advanced sector, which demands special knowledge and experience on the part of airport operators. Professional expertise can only be gained through a long-term commitment to high-quality training. It is for this reason that Fraport Slovenia has established the Fraport Aviation Academy. The aim of the academy is to meet the demand for training in aviation, crisis management, and protection and rescue for participants from the Fraport Group and the market at large.

1.3.2 MISSION STATEMENT, VISION, VALUES AND STRATEGIC OBJECTIVES

Mission statement

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

Vision

Our vision is to be:

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

Values

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

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

Sustainable development Alongside our active role in defending the public interest of safe, smooth and orderly air transport, the company is aware that the aviation industry has a wider societal impact. We therefore plan the company's operations and development in a way that promotes the development of our immediate and wider environment, while preventing any adverse effects.

Strategic objectives

Fraport Slovenia has set the following strategic objectives for the 2017 to 2025 period to realise our mission statement and our vision:

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

1.3.3 ORGANISATIONAL STRUCTURE

Organisational structure of Fraport Slovenia d.o.o. as at 1 June 2019



Figure 1: Organisational structure

1.3.4 INTERNATIONAL ACTIVITIES

In 2019 the company continued its activities as a member of various expert groups operating under the aegis of ACI Europe. The advisor to the company's senior management is a member of the advisory group within the policy committee, whose role is preparing strategic guidelines for ACI Europe's leadership, and coordinating and liaising with other committees and working groups. We are still a member of the Aviation Security Committee, which deals with the issue of civil aviation security at airports and suggests solutions in this particular field. We also remain a member of the Regional Airports Forum, and the Digital Communications Forum.

1.4 CORPORATE GOVERNANCE STATEMENT

Pursuant to the provisions of the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the senior management of Fraport Slovenija d.o.o. hereby provides the following corporate governance statement for the period of 1 January to 31 December 2019.

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

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

The company does not pursue a specific diversity policy.

1.4.1 INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

Fraport Slovenija has a diverse mechanism of internal controls and risk management in connection with the financial reporting process. The aim of the system of internal controls is to comply with applicable legislation and regulations, to meet the company's strategic objectives and to implement its strategy, to reduce risks in connection with the company's operations, and to ensure the accuracy, completeness and reliability of financial reporting. The system is tailored to the internal control system of the Fraport Group.

Each business process has its contacts with other business processes identified, and comes with reference documentation citing the person responsible for each individual activity. The comprehensive management of business processes also extends to the inherent risks and internal controls. We set out efficiency and performance indicators, and methods for controlling and measuring the effectiveness of individual processes. A systemic approach is taken to identifying the risks that can arise in individual activities within business processes, and to putting in place the internal controls for managing these risks. In 2019 we continued to integrate our business continuity plan and risk management at the strategic and operational levels, which has given us a

comprehensive view for identifying critical areas and drawing up various measures to ensure stable operations.

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

Internal auditing

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

The internal audit department audits individual business processes and procedures that affect the realisation of business targets, suggests improvements to business processes, and thereby contributes to better performance, and to increased transparency and reliability of information. The internal audit department reports on its work directly to the senior management.

Internal audits were conducted in the following areas in 2019: approval of access to the airport apron for non-airport services, implementation of the code of ethics, variable rents, the management of advertising, investment planning, and contracts for cargo transport.

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

External auditing

On the basis of a resolution passed by Investor's Committee on 9 April 2019, the company's financial statements for 2019 were audited by PwC Slovenija d.o.o., Ljubljana.

1.4.2 COMPOSITION AND FUNCTIONING OF MANAGEMENT AND SUPERVISORY BODIES

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

The company is controlled by the sole member, who has final responsibility for issues relating to the company's business.

The sole member exercises its powers via resolutions passed by its authorised representatives or, when the sole member so decides, by the Investor's 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.

Investor's Committee

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

The Investor's Committee consists of three members appointed by the sole member. In 2019 the members of the committee were as follows: Holger Schaeffers (president), Dr Pierre Dominique Prümmin (deputy-president) and Kai Peter Holger Zobel. All members of the committee are from Fraport AG Frankfurt Airport Services Worldwide.

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

Management of the company

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

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

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

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

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

2 PERFORMANCE IN 2019 AND PLANS FOR 2020

2.1 SITUATION IN EUROPEAN AVIATION

The International Air Transport Association (IATA) is reporting that the business environment for aviation companies deteriorated in 2019, as a result of rising fuel prices and a significant deterioration in global trade. Total costs in aviation transport increased by 7.4% in 2019, outpacing the growth of 6.5% in revenues. This is thought to have reduced the net margin to 3.2% (from 3.7% in 2018). Earnings per passenger similarly declined to USD 6.12 (from USD 6.85 in 2018).

Last year saw the aviation industry in the black for the tenth consecutive year, but margins are narrowing as costs rise in all areas, including labour, fuel and infrastructure. Fiercer competition between airlines is also reducing profitability. The trade war between the USA and China is reducing air cargo tonnage, and rising tensions could also have an impact on passenger transport. Practically all major airlines are reporting a decline in cargo tonnage.

According to figures from the Aviation Safety Network (ASN), 2019 was one of the safest years in the history of commercial aviation, despite the crash of the Ethiopia Airlines Boeing 737 MAX. The subsequent worldwide grounding of all aircraft of the same type left a number of airlines facing a shortage of capacity and flight cancellations.

According to figures from Eurocontrol, the number of flights in Europe was up 0.9% in 2019. European aviation was hit by Brexit uncertainty, as the prospect of a no-deal Brexit meant that there was a real possibility of flights under the open sky's agreement coming to an end. This would mean that flights between the UK and any EU Member State could only be operated by airlines domiciled in the UK or in the EU country in question, and would not be open to the whole EU market. Certain market restrictions can nevertheless still be expected, although the UK and the EU have agreed a transition period until an agreement on aviation is reached.

Apart from the unstable business environment, the emergence of the covid-19 coronavirus, which has already reached the pandemic scale in the early March 2020, presents a unique challenge. The rapid outbreak of the virus and the introduction of travel restrictions have led to a significant decline in air traffic and economic activity worldwide. The severe measures taken by European countries to limit the spread of the virus, led to a complete shutdown of air passenger traffic in March in some markets, including Slovenia. Europe's airports have been faced with a crisis far beyond the magnitude of the SARS crisis or the crisis following the terrorist attack on September 11th 2001 and the impact on business in the aviation industry in 2020 will be huge. It is encouraging that after each crisis, traffic soon recovers to pre-crisis levels.

2.2 ECONOMIC SITUATION IN SLOVENIA

According to the Bank of Slovenia's macroeconomic projections, Slovenia recorded economic growth of 2.6% in 2019, outpacing the euro area and the EU overall. Household consumption continued to increase moderately (by 2.9%), driven by rising employment and higher growth in wages and social transfers. Growth in gross wages is thought to have exceeded 5% in both the public and private sectors, thus outpacing productivity growth.

There was continuing growth in gross fixed capital formation (of 4.6%), driven by high growth in construction investment, thanks in part to government investment. However, there was a slowdown, which was attributable to the slowdown in export orders and the increased uncertainty in the international environment owing to protectionist measures and geopolitical tensions, which reduced consumption, and also to the downturn in firms' expectations and the consequent slowdown in GDP growth compared with 2018. Growth in the majority of exports is also slowing (it stood at 4.4%), in reflection of the slowdown in foreign demand.

Inflation averaged 1.7% in 2019, as the contributions by food and energy prices declined.

According to the Bank of Slovenia's forecasts, Slovenia is expected to see economic growth of 2.5% and inflation of 2% in 2020. These forecasts are on the assumption that wage growth will remain relatively high in 2020 as a result of a rise in the minimum wage and wage growth in the public sector, and that global economic growth will be higher than in 2019 (at 3.1%), which is ignoring any adverse impact from coronavirus. Considering the last developments of COVID-19 in Slovenia and globally, Institute of macroeconomic analysis and development predicted that economic growth would ease to around 1.5% this year if the stabilisation of COVID-19 will be in the second half of this year.

2.3 MARKET POSITION AND MARKETING ACTIVITIES

2.3.1 MARKET POSITION

Other than Klagenfurt, all the competing airports in the region succeeded in increasing their passenger numbers in 2019. Ljubljana Airport recorded a fall of 5% in its passenger numbers.

The main factor in traffic at Ljubljana Airport was the fate of Adria Airways, the national flag carrier, which went bankrupt in late September after 58 years in business.

Before its bankruptcy Adria Airways had accounted for 50% of all passengers at Ljubljana Airport. At Fraport Slovenija we were well-prepared for the bankruptcy, as a result of which the most lucrative Adria Airways services were being taken over less than three weeks after its bankruptcy. Swiss International Air Lines began a Zürich service on 16 October 2019. It was followed by Lufthansa, which launched routes to Frankfurt on 27 October and Munich on 1 November. Brussels Airlines began its Brussels service on 4 November.



It should also be noted airlines already serving Ljubljana Airport also expanded their flight frequencies and aircraft capacity:

- Air France went from six to 13 flights a week
- Air Serbia went from 11 to 17 flights a week
- Montenegro Airlines went from four to six flights a week
- LOT Polish Airlines went from seven to eight flights a week
- Aeroflot switched from 90-seat to 140-seat aircraft

Foreign airlines' passenger numbers in December 2019 were up fully 61.5% on December 2018, although the total passenger numbers in the month were down 21.3% on the same month of the previous year.

We are encouraged by the recovery in traffic, but there are still a number of challenges facing us before the traffic lost after the bankruptcy of Adria Airways is fully recovered. Services to Vienna, Prague, Copenhagen, Manchester, Sofia, Pristina, Skopje, Tirana and Sarajevo remain unreplaced.

2.3.2 TRAFFIC AND AIRPORT SERVICES

We ended 2019 with passenger numbers of 1,727,136, down 5% on the previous year. The fall in passenger numbers was the result of the bankruptcy of Adria Airways, which occurred in September. It should be remembered that in the history of the airport of more than 50 years, this number has only been beaten by the record year of 2018, and this despite the bankruptcy of the airline with the largest passenger numbers. However, without intensive proactive marketing, and a positive trend in foreign airlines' passenger numbers this would not be achieved. Foreign airlines at Ljubljana Airport saw their passenger numbers rise by fully 24.7%. There was also an encouraging rise in the share accounted for by low-cost airlines, which stood at 20.8% in 2019.

| | Realisation | | Index 19/18 | Breakdown, % | |
|---------------------------|------------------|------------------|----------------|--------------|--------------|
| | 2019 | 2018 | | 2019 | 2018 |
| PASSENGER NUMBERS | 1,727,136 | 1,818,229 | 95.0 | 100.0 | 100.0 |
| PUBLIC TRANSPORT | 1,721,355 | 1,812,411 | 95.0 | 99.7 | 99.7 |
| Domestic airlines | 739,207 | 1,024,778 | 72.1 | 42.8 | 56.4 |
| Foreign airlines | 982,148 | 787,633 | 124.7 | 56.9 | 43.3 |
| GENERAL AVIATION | 5,560 | 4,671 | 119.0 | 0.3 | 0.3 |
| OTHER | 221 | 1,147 | 19.3 | 0.0 | 0.1 |
| AIRCRAFT MOVEMENTS | 31,489 | 35,512 | 88.7 | 100.0 | 100.0 |
| PUBLIC TRANSPORT | 23,624 | 27,231 | 86.8 | 75.0 | 76.7 |
| Domestic airlines | 12,125 | 17,651 | 68.7 | 38.5 | 49.7 |
| Foreign airlines | 11,499 | 9,580 | 120.0 | 36.5 | 27.0 |
| GENERAL AVIATION | 6,999 | 7,128 | 98.2 | 22.2 | 20.1 |
| OTHER | 866 | 1,153 | 75.1 | 2.8 | 3.2 |
| MTOW | 1,229,312 | 1,340,912 | 91.7 | 100.0 | 100.0 |
| PUBLIC TRANSPORT | 1,150,339 | 1,252,520 | 91.8 | 93.6 | 93.4 |
| Domestic airlines | 515,638 | 738,102 | 69.9 | 41.9 | 55.0 |
| Foreign airlines | 634,701 | 514,418 | 123.4 | 51.6 | 38.4 |
| GENERAL AVIATION | 35,096 | 30,655 | 114.5 | 2.9 | 2.3 |
| OTHER | 43,877 | 57,737 | 76.0 | 3.6 | 4.3 |
| CARGO TONNAGE | 24,875 | 26,044 | 95.5 | 100.0 | 100.0 |
| Air | 10,095 | 10,903 | 92.6 | 40.6 | 41.9 |
| Truck | 12,864 | 13,265 | 97.0 | 51.7 | 50.9 |
| Mail | 1,271 | 1,475 | 86.2 | 5.1 | 5.7 |
| Other | 646 | 401 | 161.0 | 2.6 | 1.5 |

As in previous years, Fraport Slovenia maintained a presence in the brochures of its travel agency partners. Joint marketing of charter services led to a rise in passenger numbers on charter routes. The largest numbers of charter passengers in the summer were recorded by Mediterranean destinations in Greece, Turkey and Tunisia. Egypt also attracted a large number of holidaymakers on charter flights.

Cargo tonnage at Ljubljana Airport was down 4.5% on the previous year, as air tonnage declined by 7.4%, mail tonnage declined by 13.8% and truck tonnage declined by 3.0%. The decline is mainly attributable to the bankruptcy of the national flag carrier, and the general worldwide trend of decline in air cargo transport owing to the slowing economy and the trade measures imposed in global markets.

Commercial activities

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

Aircraft maintenance is being further encouraged at Ljubljana Airport. Negotiations for the new Solinair hangar have been completed. Measuring 49 metres by 69 metres, the new hangar will allow our long-term partner to develop its business and to service aircraft up to the size of an A321. With our long-term partner Adria Tehnika, process of contract coordination for a new hangar, which will allow to service wide-body aircraft is in place. Several other foreign companies have shown interest in increasing their aircraft maintenance capacity, which is an additional indication of the growth trend in this area.

We are intensively developing and marketing the Airport City business and logistics centre, which is of interest to investors because of its geostrategic location, as lies on the intersection of two important European transport corridors (TEN-T), and just 125 km from Slovenia's main port of Koper, which cuts transit times for cargo to central Europe by up to seven days. The 15 hectares of land with utilities connections is of interest to investors in the sectors of logistics, hotels and office buildings.

Investors welcome the opportunity to cooperate in the form of long-term land leases for terms of 25 years and more. UPS is already building its new logistics facility, north of Fraport Aviation Academy, and completion is expected in 2020. DHL Express will also expand its capacity. Last year saw us complete negotiations and agree our contractual obligations, and in 2020 we expect the building permit to be issued and a start to be made on construction, with the new facility scheduled to open in 2021. Certain other logistics firms have shown an interest in construction and long-term land leases. We are continuing the process of coordinating the contracts and obtaining the necessary documentation for the start of construction. The growing interest is attributable not only to the good development of the logistics sector, but also to the rapid growth in the local business parks (Airport Business Park and Ljubljana Airport Park), where the logistics centres of Kuehne + Nagel and its cargo partner are already in operation, and new production facilities are being built. The progress of the logistics firms goes hand in hand with the growth in our cargo tonnage.

The decline in passenger traffic has also made investors and operators of airport hotels more cautious. Our activities in this area are ongoing, and we expect that once the trend of growth in passenger traffic is restored, the hotel developments will continue, and thus the airport community as a whole will be able to move forward sustainably.

We have updated our digital media in the arrivals and departures halls to offer advertisers more options in flexible and targeted advertising. We will continue investing in larger digital media, and optimising our media for short-term advertising. A new technological platform has been put in place for overseeing and managing digital media and advertising content, thus increasing the power and reach of advertising.

In periodic surveys we try to precisely analyse passenger profiles, and to monitor their needs and their shopping habits. In this way we offer existing and new partners in-depth insight into market segments at the airport, and better-targeted marketing.

Together with our existing partners we are continuing to work on improving quality of service in our catering and retail activities. By identifying needs, we have adapted to the requirements of passengers and other customers of the airport. A good deal of attention has been focused on planning new opportunities at the new terminal.

Passengers have responded very positively to the expanded shuttle service, rent-a-car services, electric vehicles and car sharing. Overhauling the free electric charging points and planning new charging points at the new car parks are also part of our sustainability policy.

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

Monitoring consumer satisfaction leads to better services

We monitor the needs and desires of the users of our airport services and commercial services, thereby identifying our strengths and weaknesses, and improving company performance and user satisfaction. Through complaints management and consideration 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 monitoring user satisfaction, we also use mystery shopping to check the quality of various services at the airport, whether provided by Fraport Slovenia or by external partners.

We truly value our passengers' opinion of our quality of service, and so we carry out a passenger satisfaction survey every year. In 2019 we began conducting more detailed research into the actual profile of our passengers.

2.4 PERFORMANCE ANALYSIS

As of 1 January 2019 the company has implemented a new financial reporting standard (IFRS 16 Leases), which has had a material impact on its financial statements. In so doing it has taken the full retrospective approach, which requires the restatement of comparative information for previous years. The effects of the implementation of the standard on items in the financial statements are explained in detail in point 4.2 of the Financial Report.

2.4.1 OPERATING RESULT

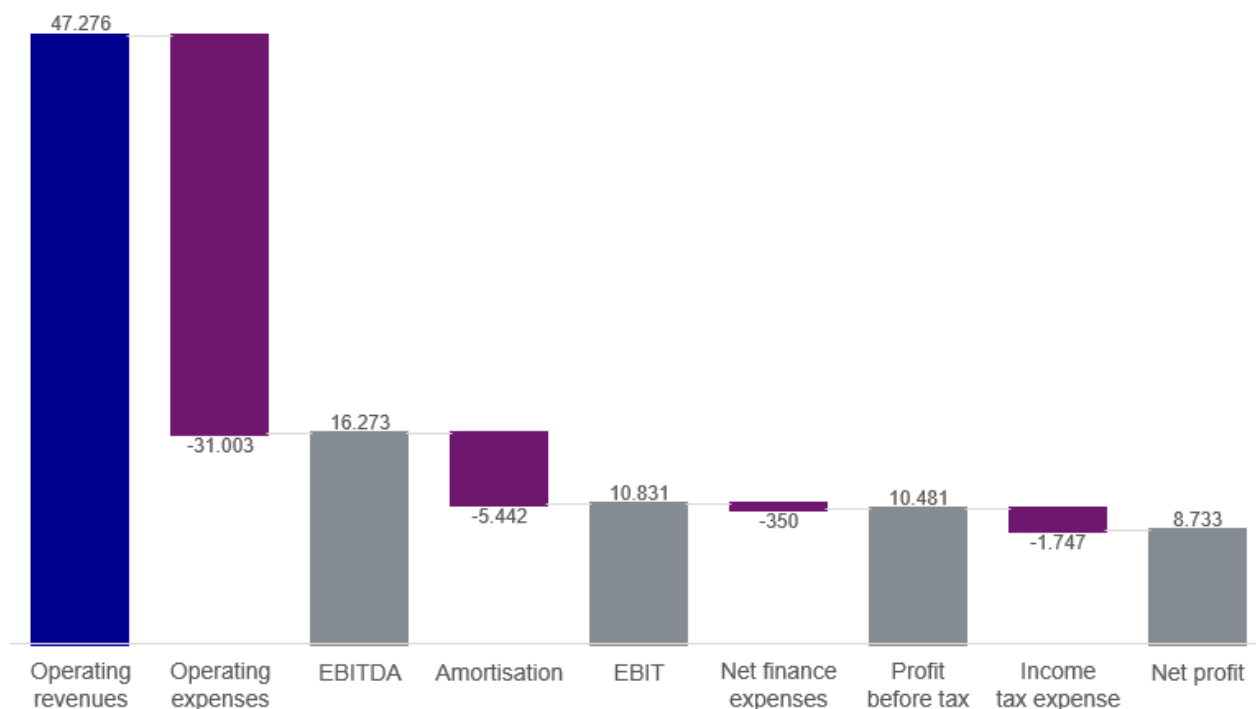
| in thousand EUR | Realization | | Index R19 / R18 | Proportion | |
|---------------------------------------------------------------------------------------|---------------|------------------|--------------------|--------------|--------------|
| | 2019 | 2018 restated | | R19 | R18 |
| Operating revenues | 47.276 | 46.483 | 101,7 | 100,0 | 100,0 |
| Net sales revenue | 45.321 | 46.258 | 98,0 | 95,9 | 99,5 |
| Other operating revenues | 1.955 | 225 | 870,0 | 4,1 | 0,5 |
| Operating expenses | 36.445 | 31.954 | 114,1 | 100,0 | 100,0 |
| Costs of materials and services | 10.959 | 11.185 | 98,0 | 30,1 | 35,0 |
| Costs of materials | 1.845 | 1.995 | 92,5 | 5,1 | 6,2 |
| Costs of services | 9.115 | 9.189 | 99,2 | 25,0 | 28,8 |
| Labour costs | 16.220 | 15.310 | 105,9 | 44,5 | 47,9 |
| Depreciation/amortisation | 5.442 | 4.766 | 114,2 | 14,9 | 14,9 |
| Other operating expenses | 3.823 | 692 | 552,1 | 10,5 | 2,2 |
| Operating profit before interest, taxes and depreciation/amortization - EBITDA | 16.273 | 19.296 | 84,3 | 34,4 | 41,5 |
| Operating profit - EBIT | 10.831 | 14.529 | 74,5 | 22,9 | 31,3 |
| Net finance income/expenses | -350 | -353 | 99,3 | | |
| Finance income | 77 | 53 | 144,6 | | |
| Finance expenses | 427 | 406 | 105,3 | | |
| Profit (or loss) before tax | 10.481 | 14.177 | 73,9 | | |
| Income tax expense | 1.747 | 2.307 | 75,8 | | |
| Deferred tax | -701 | -34 | 2.055,5 | | |
| Net profit | 8.733 | 11.870 | 73,6 | | |

Last year was marked by problems, most notably the bankruptcy in early October of Slovenia's largest airline, Adria Airways, which had accounted for 50% of all passengers at Ljubljana Airport. The rapid restoration of the most lucrative routes and an increase in frequencies (Frankfurt, Zürich, Munich, Brussels) within less than three weeks of Adria Airways' bankruptcy meant that sales revenue in 2019 was down only 2% on the previous year. The company ended 2019 with an EBITDA of EUR 16,273 thousand, down EUR 3,023 thousand on the previous year. EBIT was also down on the previous year, by 25.5% at EUR 10,831 thousand.

Operating revenues were up 1.7% on 2018 at EUR 47,276 thousand, owing to an increase in other operating revenues from the liquidation of collateral for claims against Adria Airways. The proportion of total revenues accounted for by other operating revenues increased from 0.5% in 2018 to 4.1% in 2019. Operating expenses amounted to EUR 36,445 thousand, up 14.1% on 2018, primarily as a result of higher labour costs and impairments of the claims against Adria Airways.

Finance income increased slightly in 2019, as did finance expenses, which resulted in negative net finance income, down EUR 2 thousand on the previous year.

Pre-tax profit amounted to EUR 10,481 thousand in 2019, while net profit amounted to EUR 8,733 thousand, down 26.4% on 2018.

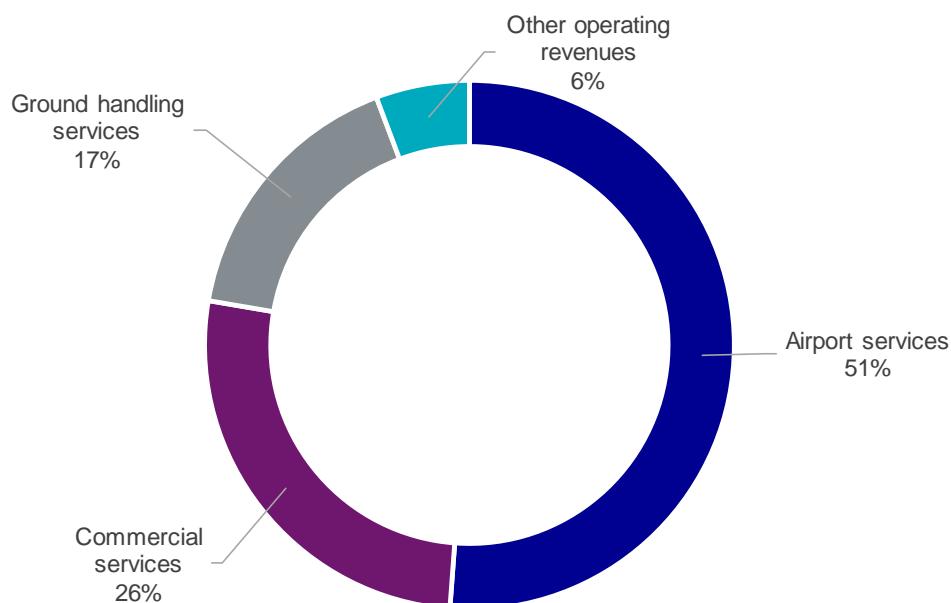


Graph 1: Net profit

Operating revenues

| in thousand EUR | Operating revenues | | Index R19 / R18 |
|---------------------------|--------------------|---------------|--------------------|
| | 2019 | 2018 restated | |
| Airport services | 24.194 | 25.100 | 96,4 |
| Commercial services | 12.531 | 12.052 | 104,0 |
| Ground handling services | 7.848 | 8.396 | 93,5 |
| Other operating revenues | 2.702 | 935 | 289,0 |
| OPERATING REVENUES | 47.276 | 46.483 | 101,7 |

Operating revenues amounted to EUR 47,276 thousand in 2019, up 1.7% or EUR 793 thousand on 2018. The increase relative to 2018 was primarily attributable to an increase in revenue from commercial services and the revenue from the liquidation of collateral for claims against Adria Airways. In light of the falls in passenger numbers and the number of flights in the final months of 2019 owing to the bankruptcy of Adria Airways, the decline in revenue from airport services and ground handling services was expected.



Graph 2: Structure of operating revenues

The largest increases in the commercial services segment were recorded by revenue from rents for office space, security services and training at the aviation academy. There was also an increase in rents for retail premises and hangars, advertising revenue, and revenue for fire protection services.

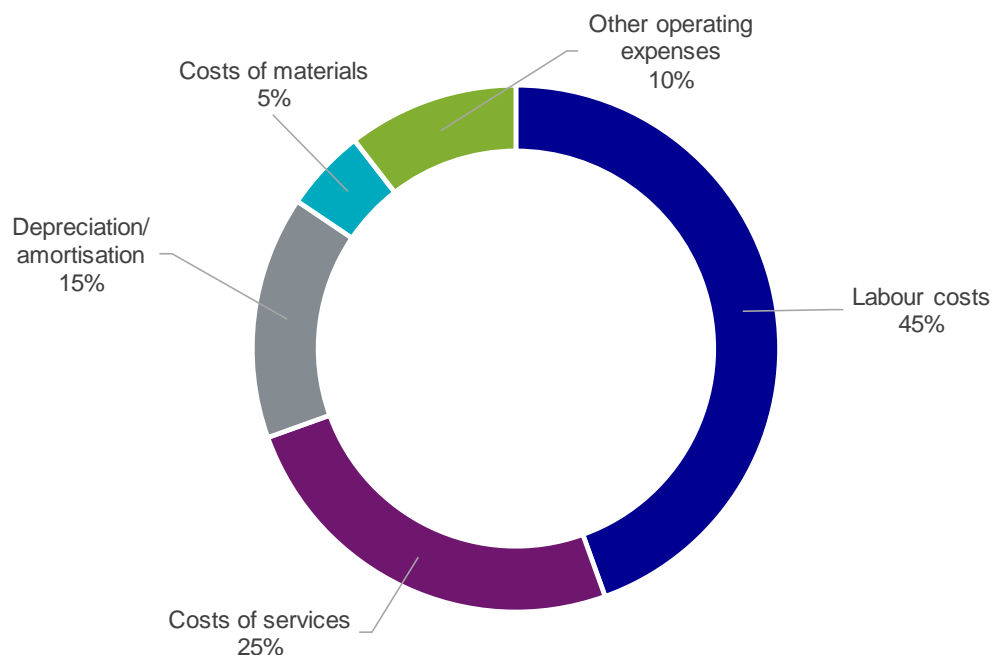
Operating expenses

| in thousand EUR | Operating expenses | | Index R19 / R18 |
|----------------------------|--------------------|---------------|--------------------|
| | 2019 | 2018 restated | |
| Labour costs | 16.220 | 15.310 | 105,9 |
| Costs of services | 9.115 | 9.189 | 99,2 |
| Depreciation/ amortisation | 5.442 | 4.766 | 114,2 |
| Costs of materials | 1.845 | 1.995 | 92,5 |
| Other operating expenses | 3.823 | 692 | 552,1 |
| OPERATING EXPENSES | 36.445 | 31.954 | 114,1 |

Operating expenses amounted to EUR 36,445 thousand in 2019, up 14.1% on 2018.

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

The largest component of operating expenses was labour costs, followed by costs of services, amortisation/depreciation costs, costs of materials and other operating expenses. Compared with 2018, there was an increase in the proportion accounted for by labour costs on account of the introduction of the new job classification system, a rise in wages in September, and new hiring in the second half of 2018, which raised labour costs over the whole of 2019. Impairment of the claims against Adria Airways incurred an expense of EUR 3,324 thousand, which significantly raised other operating expenses. Costs of services and costs of materials were down on 2018.

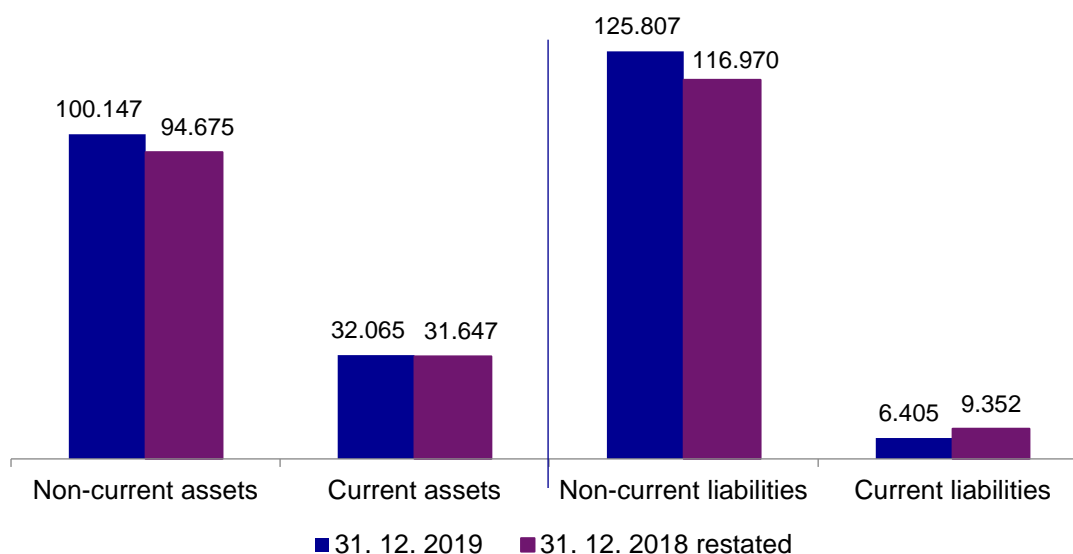


Graph 3: Structure of operating expenses

Energy costs (electricity, heating fuel and motor fuel) accounted for more than half of all costs of materials, while other major items included non-durables, materials for current maintenance, and cleaning materials. Security services accounted for a fifth of 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.

STATEMENT OF FINANCIAL POSITION

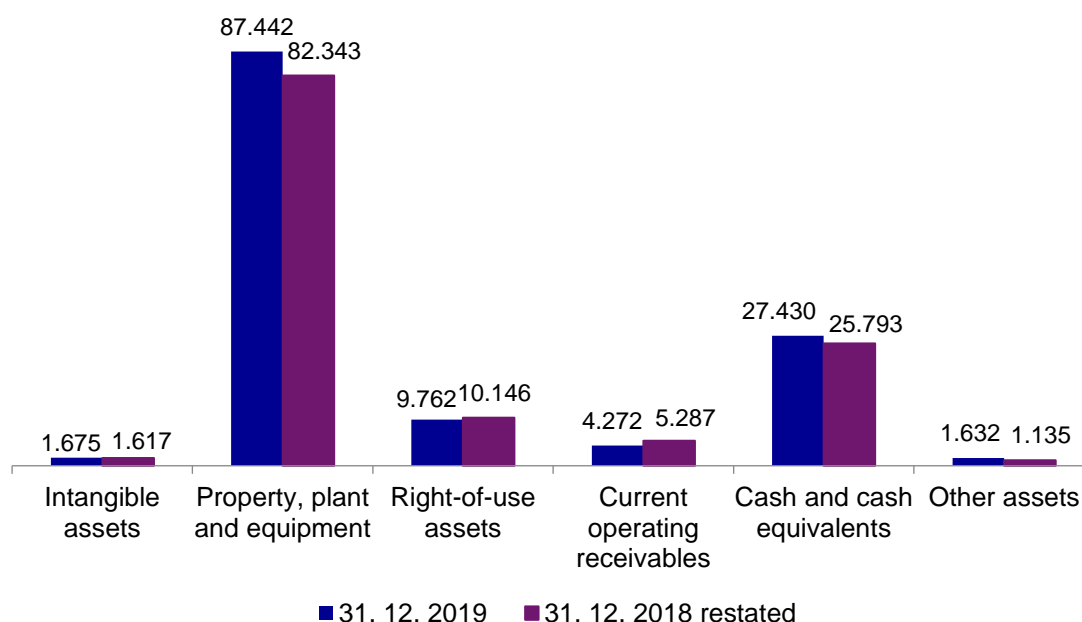
| in thousand EUR | 31. 12. 2019 | 31. 12. 2018 restated | Index 19 / 18 | Proportion | |
|----------------------------------------|----------------|--------------------------|------------------|--------------|--------------|
| | | | | 2019 | 2018 |
| ASSETS | 132.212 | 126.321 | 104,7 | 100,0 | 100,0 |
| Non-current assets (total) | 100.147 | 94.675 | 105,8 | 75,7 | 74,9 |
| Intangible assets | 1.675 | 1.617 | 103,6 | 1,3 | 1,3 |
| Tangible assets | 97.203 | 92.489 | 105,1 | 73,5 | 73,2 |
| Other non-current assets | 1.269 | 568 | 223,5 | 1,0 | 0,4 |
| Current assets (total) | 32.065 | 31.647 | 101,3 | 24,3 | 25,1 |
| Cash and cash equivalents | 27.430 | 25.793 | 106,3 | 20,7 | 20,4 |
| Current operating receivables | 4.272 | 5.287 | 80,8 | 3,2 | 4,2 |
| Other current assets | 363 | 567 | 64,0 | 0,3 | 0,4 |
| EQUITY AND LIABILITIES | 132.212 | 126.321 | 104,7 | 100,0 | 100,0 |
| Equity | 113.703 | 105.102 | 108,2 | 86,0 | 83,2 |
| Non-current liabilities (total) | 12.104 | 11.868 | 102,0 | 9,2 | 9,4 |
| Current liabilities (total) | 6.405 | 9.352 | 68,5 | 4,8 | 7,4 |



Graph 4: Assets, equity and liabilities by maturity

In the breakdown of **assets**, *non-current assets* accounted for 75.7% of the total. The company's intensive investment led to an increase of 6.2% in *property, plant and equipment* relative to 31 December 2018.

Current assets, which accounted for 24.3% of total assets as at 31 December 2019, were up 1.3% on 31 December 2018. Current operating receivables were down on 31 December 2018, at EUR 4,272 thousand. The decline was related to the impairment of the claims against Adria Airways.

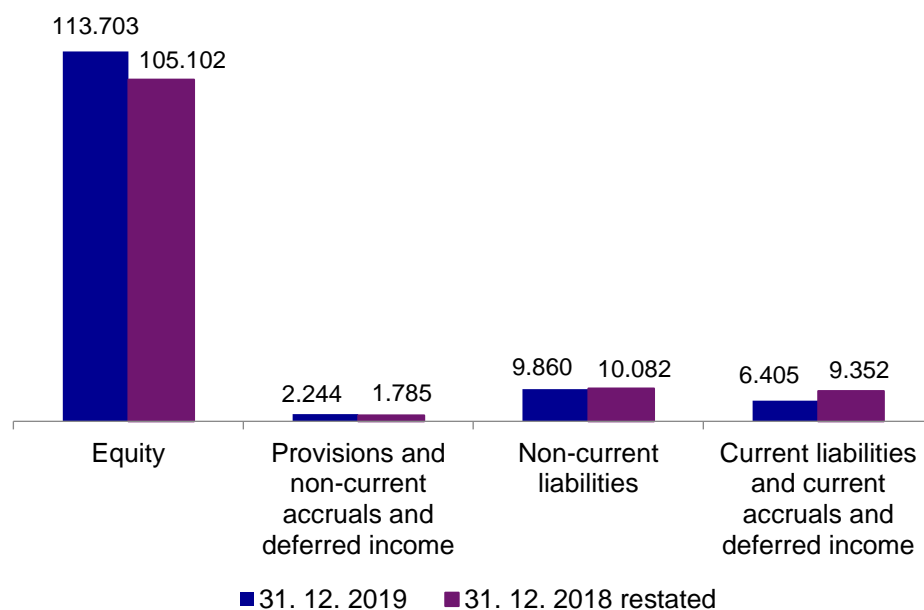


Graph 5: Assets

Non-current liabilities in the amount of EUR 125,807 thousand accounted for 95.2% of **total equity and liabilities**, and are used to finance all of the company's non-current assets and a significant proportion of its current assets. Equity in the amount of EUR 113,703 thousand accounted for the

majority of non-current liabilities, and 86% of total equity and liabilities, while other non-current liabilities accounted for 9.2% of total equity and liabilities.

Current liabilities accounted for 4.8% of total equity and liabilities, and primarily comprised current operating liabilities in the amount of EUR 5,130 thousand, or 3.9% of total equity and liabilities. They were down 35.9% or EUR 2,867 thousand on 31 December 2018, primarily as a result of the early repayment of suppliers in the wake of the introduction of the new information system.



Graph 6: Equity and liabilities

The company had no financial liabilities as at 31 December 2019.

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

2.4.2 FINANCIAL MANAGEMENT

Liquidity was maintained at a high level in 2019, 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 2019 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 2020 there is again no planned requirement for any external financing.

2.5 INVESTMENTS

A total of EUR 10,849 thousand was invested in infrastructure and equipment in 2019, of which EUR 8,540 thousand was earmarked for infrastructure, while the remainder was spent on airport equipment (EUR 1,802 thousand) and computer equipment (EUR 507 thousand).

| in thousand EUR | 2019 | 2018 | Index 19/18 |
|--------------------------------------------|---------------|---------------|----------------|
| Intangible assets | 390 | 578 | 68 |
| Infrastructure, related equipment and land | 8,540 | 6,511 | 131 |
| IT equipment (hardware) | 117 | 1,037 | 11 |
| Airport equipment | 1,802 | 2,992 | 60 |
| Total | 10,849 | 11,118 | 98 |

A contract was signed with GIC Gradnje in June 2019 for the construction of the new terminal, which will add 8,700 square metres of space. Construction began in July 2019, and is proceeding on schedule. The new terminal is scheduled to open on 1 July 2021. The expansion of the passenger terminal is of key importance in the airport's development strategy.

We have completed major projects such as the renovation of the fire brigade building, the central boiler house, the hangar for ground handling vehicles, and the construction of the internal road network that will allow for building to be undertaken on land north of the current road, and on other land right next to the airport.

EUR 1,802 thousand was earmarked for airport equipment, while we invested EUR 507 thousand in computer equipment in 2019, of which EUR 390 thousand was in software and EUR 117 thousand in hardware.

2.6 EMPLOYEES

The company had a headcount of 478 as at 31 December 2019, of whom 473 were permanent and five were temporary employees. The workforce is predominantly male (352 employees or 73.6% of the total). The headcount was down five on 31 December 2018.

Age structure of employees

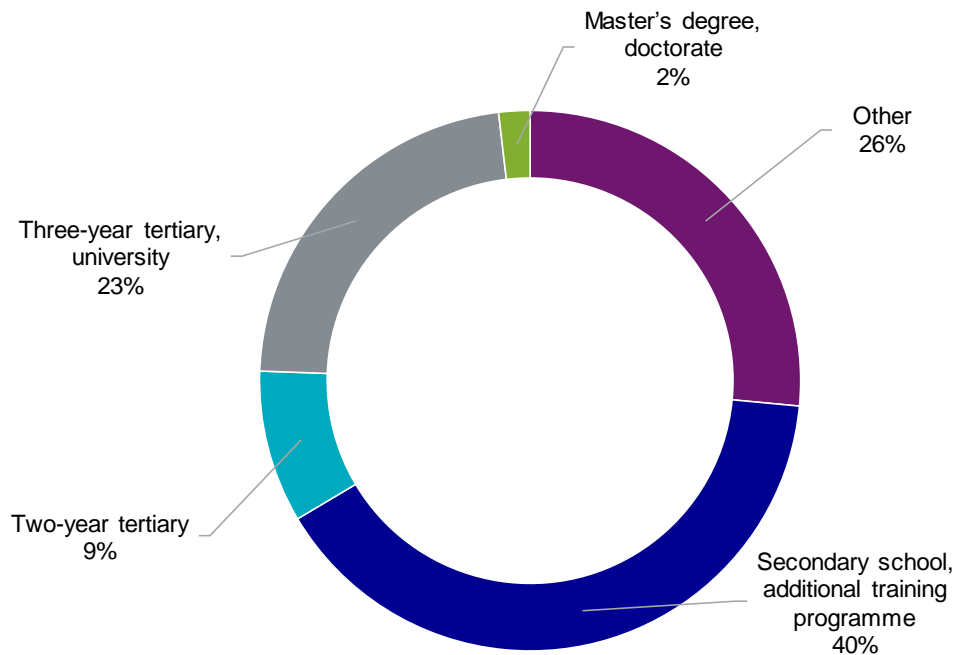
The average age of the workforce was 41.95 at the end of 2019.

There were 295 employees aged between 31 and 50 (61.7% of the total), 85 aged between 19 and 30 (17.8%), and 98 aged 51 or older (20.5%).

Qualifications breakdown

Two staff members gained qualifications in 2019, namely a master's degree and a tertiary professional qualification.

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



Graph 6: Qualifications structure of employees

Cooperation with educational institutions and practical training

Practical training was provided in 2019 for five university students and eight school students from nine different schools and faculties. A total of 3,226 hours of training was provided, 1,556 more than in the previous year. We will continue to maintain good relations with educational institutions in the future.

Staff training

Staff training is one of the strategic priorities at the company, as top-level staff have traditionally been one of our competitive advantages. In keeping with our position in the service sector, where a great deal of highly specific knowledge is required, we encourage in-house training, and also training at educational institutions inside and outside Slovenia.

The majority of the training in 2019 was professional training in the workplace, training for the changeover to the new information system, and foreign language lessons. We also focused on developing the leadership skills of our senior managers.

Providing up-to-date, honest and comprehensive information helps in building staff loyalty, as does open dialogue, which makes for a relaxed organisational climate. Satisfaction with the working conditions and mutual relations makes a significant contribution to the commitment shown by our staff, and their motivation at work. We are striving to have the right staff numbers, and the right make-up and level of commitment for the updated and optimised business processes.

2.7 PLANS FOR 2020

Following the bankruptcy of Adria Airways, we succeeded in re-establishing routes to major European hubs in 2019, and increase the frequencies on certain existing routes. The objective for 2020 was to continue the expansion of the flight routes and optimize timetables and finish the year with more than 1.5 million passengers.

All the plans adopted for 2020 are not feasible due to the outbreak of the COVID 19 pandemic and consequently the cancellation of many flights and temporary closure of the airport for public passenger transport on March 17, 2020.

Due to the uncertainty how fast and when the passenger air traffic will recover, it is not possible to predict the company's financial results for 2020. We estimated if the airport is not opened in May 2020 and the passenger traffic will be slowly recovered, the company will have a loss this year.

The company's management responded to the situation by minimising the costs for activities needed for necessary operation and security of the airport including the measure of temporary layoff of more than half employees. All non-urgent investments have been postponed except the construction of a new passenger terminal. Considering the speed of corona virus expansion and recovery of public air traffic, management will take additional steps to cut the costs and slow down the construction of the new passenger terminal.

Despite continuing to invest in the construction of the new passenger terminal and to be closed for public passenger traffic, the company's liquidity is not compromised until the end of 2020 because the company had at the end of February 2020 EUR 27 million in cash. In addition, the company has the possibility to get liquidity loans from the owner Fraport AG.

3 RISK MANAGEMENT

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

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

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

More on risk management at the Fraport Group can be found in the group's most recent annual report, which is available online at <https://www.fraport.com/content/fraport/en/our-company/investors/events-and-publications/publications/annual-reports.html>.

Financial risks

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

Credit risk is managed by monitoring business partners, by obtaining credit assessments and information from the environment, by coordinating open items, and by consistently charging default interest, issuing reminders and pursuing recovery.

Liquidity risk is assessed as low, as the company generates a stable cashflow from operating activities.

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

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

Financial instruments are classified in Level 2 of the fair value hierarchy.

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

Compliance

The company is now integrated into the Fraport Group compliance system.

The code of ethics and the standards of conduct set out the fundamental principles and rules that company employees and other persons working at Fraport Slovenia d.o.o. are required to uphold. They include the principles and rules that the company applies to protect staff and the company itself

from the risk of breaches of, non-performance of or non-compliance with contractual and other obligations in connection with employment, and to protect the reputation of the company and every single member of staff. An ethics committee has been established to oversee the implementation of the code of ethics. Its tasks encompass the collection, processing and analysis of written and oral reports of breaches of ethical conduct and other irregularities at the company. The ethics committee did not receive any reports of breaches of the code of ethics in 2019.

A compliance committee has been set up to monitor and improve the entire compliance system. Its purpose is to discuss reports of compliance breaches, to prevent conflicts of interest on the part of employees by reviewing their family member declarations, and to assess what types of conflicts of interest have arisen and their consequences. The compliance committee handled three breaches in 2019, information on which was passed to the senior management, which took measures to rectify the non-compliance.

4 SUSTAINABLE DEVELOPMENT

We build our business on the values of sustainable development and social responsibility. The advanced nature of our business and infrastructure means that we have a direct impact on our local surroundings and further afield, economically, socially and environmentally. We are committed to acting in a way that does not endanger the natural environment or the social environment, and to giving something back to the environment in which we work and live, and enriching it. We are aware that our business has an adverse impact on the environment, particularly on-air quality, noise levels, and biodiversity. We therefore strive to identify the adverse impacts in timely fashion, to manage them comprehensively, and to reduce them consistently. For us sustainable development entails more than just the company acting with social responsibility in line with laws, rules and regulations. As an employer and a key player in the Slovenian economy, we are aware of the responsibility that we have towards our staff, to society, to the environment, and to other stakeholders, and so we diligently manage our sustainability indicators and build stakeholder relations wherever we can.

At Fraport Slovenia all environmental aspects that could have a significant impact on the environment are measured. Legislation requires us to conduct not only periodic monitoring of environmental noise emissions, but also regular measurements of flue gases from boilers and other heating appliances. We report regularly to the national environmental authorities and agencies on our management of waste and ozone-depleting substances. In addition, we measure all environmental aspects that are not prescribed by law but whose evaluation is nevertheless important for their economic and environmental effects. These include water consumption, all different forms of energy consumption, consumption of motor fuels and consumption of hazardous materials.

Several years ago, the company undertook environmental commitments and set strategic objectives as part of its environmental policy. These remain our watchword in the company's ongoing activities and development. We will continue to maintain documented and structured quality management and environmental management systems in line with the ISO 9001, ISO 14001 and ISO 45001 standards. With regard to noise, we will endeavour to ensure that it does not transgress the permitted levels. We are reducing our carbon footprint through a variety of measures, and are applying circular waste management and wastewater management. We will improve our energy efficiency by switching to environmentally more acceptable energy resources and renewables. Maintaining our status as a reliable, conscientious employer that offers its staff a fair, responsible, safe, friendly and healthy working environment is one of our priorities. We will also continue to pursue all of our plans in the area of corporate social responsibility, and will engage the broader airport community in sustainability work. The senior management are responsible for adopting the sustainability strategy and programme, while all staff are involved in the implementation of the sustainability programme.

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

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

| | | | |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Occupational health and safety Air quality Noise reduction</p> |  | <p>Air quality Noise reduction Sponsorships and donations in the local and national environment</p> |
|  | <p>Attractive and responsible employer Value creation and cooperation in the region where we operate Fraport Aviation Academy</p> |  | <p>Occupational health and safety Efficient use of energy Renewable energy sources Preserving the environment and protecting the nature</p> |
|  | <p>Ensuring a work environment characterised by diversity, equal possibilities and respect Ensuring a balance between work and private life</p> |  | <p>Efficient use of energy Renewable energy sources Sustainable mobility</p> |
|  | <p>Preserving the environment and protecting the nature (also water resources)</p> |  | <p>Preserving the environment and protecting the nature (particularly birds)</p> |
|  | <p>Efficient use of energy Renewable energy sources Sustainable mobility</p> |  | <p>Fraport Slovenia as a member of the international Fraport Group, is an active supporter and implementer of the internationally adopted standards, guidelines and principles, in particular UN Global Compact principles, the commitment to reducing air emissions from international aviation, guidelines for transition to a circular economy, General Declaration of Human Rights, United Nations Conventions and ILO fundamental labour standards, as well as OECD guidelines for multinational corporations.</p> |
|  | <p>Economic efficiency Growth and development of Fraport Group Attractive and responsible employer Value creation and cooperation in the region where we operate</p> | | |
|  | <p>Customer satisfaction and quality of services Growth and development of Fraport Group</p> | | |

One of the important goals is reducing emissions of greenhouse gases, which is why in 2013 Fraport Slovenia joined the Airport Carbon Accreditation Programme, which is the only institutionally recognised standard for certifying the management of airport carbon footprint. Our absolute carbon footprint indicator has declined by 27% since we joined the programme, while our relative indicator is down fully 50%. For several years the company has been using electricity generated from 100%-renewable resources, which makes an additional contribution to reducing greenhouse gases and is proof of our commitment to sustainable energy. We are also devoting quite some attention to sustainable mobility, for which reason we are investing in the electrification of transport equipment, and are making it possible for our staff to use electric vehicles for work trips. In the coming years we will fund systems for energy efficiency and renewable.

Reducing noise is another important objective for us to attain. As the operator of Ljubljana Airport, we have been addressing the problem of aircraft noise and its impact on the local residents for a decade now. An agreement was reached with the local authorities to restrict night flights over residential areas, as a result of which nocturnal noise indicators are not being transgressed. Because we are aware that lowering noise emissions as far as possible significantly increases the quality of life of local people, we ensure the highest possible level of provision of information on noise level

measurements. Periodic noise measurements were conducted in the summer of 2019, and noise levels were monitored during the day, the evening and at night in the high season for traffic.

In previous years we worked with Slovenia Control, Slovenia's air traffic control service, and other major stakeholders to address the issue of exposure to aircraft noise in the village of Šenčur. In addition to continual noise monitoring, and changes to take-off and landing procedures moving air traffic away from the village, in conjunction with the Ministry of Infrastructure we also sought a suitable location for planting a green anti-noise barrier between the airport and Šenčur.

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

In 2019 we set up an apiary in the airport grounds with ten beehives. The honey from the hives is used in gifts for our business partners, and the bee products are also analysed to help determine the impact of the airport on the local environment.

We understand our social responsibility and our sustainability mission in the context of our wider operations, which include our numerous business partners, such as maintenance operators, energy providers, suppliers of personal safety equipment and work equipment, transport organisations, providers of operational monitoring and similar measurement, and construction contractors. In the future we will systematically bring all elements of our sustainability commitments into our relations with suppliers at all levels.



We procured four more electric vehicles in 2019

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

<http://www.fraport-slovenija.si/sl/podjetje/varstvo-okolja/>

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 2019 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, 15. April 2020

2 INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fraport Slovenija, d.o.o. (the "Company") as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

What we have audited

The Company's financial statements comprise:

- balance sheet as at 31 December 2019;
- the income statement and statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flows statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Slovenia. We have fulfilled our other ethical responsibilities in accordance with those requirements and with the IESBA Code.

Other information

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

PricewaterhouseCoopers d.o.o.,
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T: +386 (1) 5836 000, F: +386 (1) 5836 099, www.pwc.com/si
Matriculation No.: 5717159, VAT No.: SI35498161
The company is entered into the company register at Ljubljana District Court under Invert no. 12159800 per resolution Sig. 200110427 dated 19 July 2001 and into the register of audit companies at the Agency for Public Oversight of Auditing under no. RD-A-01464. The registered share capital is EUR 34,802. The list of employed auditors with valid licenses is available at the company's registered office.



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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Based on the described procedures, we report that:

- the other information is in all material respects consistent with those audited financial statements; and
- the other information has been prepared in accordance with the requirements of the Slovenian Companies Act.

Based on the knowledge and understanding of the entity and its environment, which we have obtained in the course of the audit, in relation to the other information, we have not identified any material misstatements.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

For PricewaterhouseCoopers d.o.o.

Damjan Ahčin, FCCA
certified auditor

Žiga Krajnc
certified auditor

Ljubljana, 15 April 2020

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

3 FINANCIAL STATEMENTS

3.1 BALANCE SHEET

in euros

| | Notes | 31. 12. 2019 | 31. 12. 2018 restated | 1. 1. 2018 restated |
|----------------------------------------------------------------|--------|--------------------|--------------------------|------------------------|
| Balance sheet | | | | |
| ASSETS | | 132.212.110 | 126.321.204 | 111.671.751 |
| Non-current assets (total) | | 100.147.250 | 94.674.551 | 88.054.516 |
| Intangible assets | 5.1.1 | 1.674.651 | 1.617.208 | 1.234.948 |
| Property, plant and equipment | 5.1.2 | 87.441.842 | 82.343.192 | 76.325.681 |
| Right-of-use assets | 5.1.3 | 9.761.571 | 10.146.245 | 9.960.826 |
| Non-current operating receivables | | 59.873 | 59.873 | 59.873 |
| Deferred tax assets | 5.1.4 | 1.209.313 | 508.033 | 473.188 |
| Current assets (total) | | 32.064.860 | 31.646.653 | 23.617.235 |
| Current assets excluding prepayments and accrued income | | 32.042.264 | 31.421.468 | 23.504.551 |
| Inventories | | 340.581 | 342.155 | 302.499 |
| Current financial assets | | 0 | 18 | 316.889 |
| Current operating receivables | 5.1.5 | 4.271.876 | 5.286.689 | 4.787.342 |
| Cash and cash equivalents | 5.1.6 | 27.429.807 | 25.792.606 | 18.097.821 |
| Current prepayments and accrued income | | 22.596 | 225.185 | 112.684 |
| EQUITY AND LIABILITIES | | 132.212.110 | 126.321.204 | 111.671.751 |
| Equity | 5.1.7 | 113.703.218 | 105.101.853 | 93.167.601 |
| Nominal capital | | 15.842.626 | 15.842.626 | 15.842.626 |
| Capital surplus | | 24.287.659 | 24.287.659 | 24.287.659 |
| Profit reserves | | 43.933.874 | 43.933.874 | 43.933.874 |
| Revaluation surplus | | -309.025 | -151.636 | -218.170 |
| Retained earnings | | 29.948.084 | 21.189.330 | 9.321.612 |
| Liabilities (total) | | 18.508.893 | 21.219.351 | 18.504.150 |
| Non-current liabilities (total) | | 12.104.145 | 11.867.761 | 11.433.372 |
| Provisions and non-current accruals and deferred income | 5.1.8 | 2.244.012 | 1.785.335 | 1.715.452 |
| Provisions for jubilee benefits and termination benefits | | 1.596.519 | 1.363.935 | 1.370.622 |
| Non-current accruals and deferred income | | 647.493 | 421.400 | 344.830 |
| Non-current liabilities | | 9.860.133 | 10.082.426 | 9.717.920 |
| Non-current operating liabilities | 5.1.9 | 534.698 | 518.993 | 441.755 |
| Non-current lease liabilities | 5.1.10 | 9.325.435 | 9.563.433 | 9.276.165 |
| Current liabilities (total) | | 6.404.747 | 9.351.590 | 7.070.778 |
| Current liabilities | | 5.716.144 | 8.580.252 | 6.408.187 |
| Current operating liabilities | 5.1.11 | 5.130.333 | 7.997.439 | 5.857.814 |
| Current lease liabilities | 5.1.12 | 585.811 | 582.813 | 550.373 |
| Current accruals and deferred income | 5.1.13 | 688.603 | 771.338 | 662.591 |

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

3.2 INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

| in euros | | | |
|----------------------------------------|-------|--------------------|------------------------|
| Income statement | Notes | 1.–12.2019 | 1.–12.2018 restated |
| Operating revenues | 5.2.1 | 47.275.823 | 46.483.009 |
| Net sales revenue | | 45.320.631 | 46.258.280 |
| Capitalised own services | | 293.887 | 0 |
| Other operating revenues | | 1.661.305 | 224.729 |
| Operating expenses | 5.2.2 | -36.444.651 | -31.953.515 |
| Costs of materials and services | | -10.959.383 | -11.184.565 |
| Costs of materials | | -1.844.881 | -1.995.245 |
| Costs of services | | -9.114.502 | -9.189.320 |
| Labour costs | | -16.220.463 | -15.310.378 |
| Depreciation/amortisation | | -5.441.837 | -4.766.079 |
| Other operating expenses | | -3.822.968 | -692.493 |
| Operating profit (EBIT) | | 10.831.172 | 14.529.494 |
| Net finance income/expenses | | -350.452 | -352.822 |
| Finance income | | 76.935 | 53.211 |
| Finance expenses | 5.2.3 | -427.387 | -406.033 |
| Pre-tax profit | | 10.480.720 | 14.176.672 |
| Income tax expense | 5.2.4 | -2.448.605 | -2.340.738 |
| Deferred tax | 5.2.4 | 701.280 | 34.117 |
| Net profit for the period | | 8.733.395 | 11.870.051 |

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

| in euros | | | |
|-----------------------------------------------------------------------------------------------------------------|-------|------------------|------------------------|
| Statement of other comprehensive income | Notes | 1.–12.2019 | 1.–12.2018 restated |
| Net profit for the period | | 8.733.395 | 11.870.051 |
| Items that could subsequently be reclassified to profit or loss | | 0 | -3.098 |
| Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets | | 0 | -3.826 |
| - gain/(loss) recognised as revaluation surplus | | 0 | -3.029 |
| - transfer of gain/(loss) from revaluation surplus to profit or loss | | 0 | -797 |
| Corporate income tax in connection with items that could subsequently be reclassified to profit or loss | | 0 | 728 |
| - in connection with gain/(loss) recognised as revaluation surplus | | 0 | 576 |
| - in connection with transfer of gain/(loss) from revaluation surplus to profit or loss | | 0 | 152 |
| Items that subsequently will not be reclassified to profit or loss | | -157.388 | 69.631 |
| Unrealised actuarial profit/loss from post-employment benefits | | -168.012 | 67.299 |
| Realised actuarial loss (after payment of post-employment benefits) | | 10.624 | 2.332 |
| Total other comprehensive income for the period | 5.2.5 | -157.388 | 66.533 |
| Total comprehensive income for the period | | 8.576.007 | 11.936.584 |

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

3.3 CASH FLOW STATEMENT

| | | in euros | |
|--------------------------------------------------------------------------------------------|----------|--------------------|--------------------|
| Cash flow statement | Note 5.3 | 2019 | 2018 restated |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit corrected for deferred tax | | 8.032.115 | 11.835.933 |
| Adjustment for: | | 8.468.509 | 6.185.831 |
| - income tax expense recognised in the income statement | | 2.448.606 | 2.340.738 |
| - amortisation/depreciation of intangible assets and property, plant and equipment | | 5.441.837 | 4.766.079 |
| - gain/loss on disposal/elimination of intangible assets and property, plant and equipment | | -89.659 | 304.500 |
| - impairment of inventories | | 0 | 2.072 |
| - impairment of receivables | | 3.355.442 | 1.820 |
| - creation/reversal of provisions | | 203.536 | 40.755 |
| - other non-cash transactions | | -298.803 | 155.277 |
| - finance income | | -285 | -29.409 |
| - finance expenses | | 421.727 | 429.605 |
| - income tax expense paid | | -3.013.892 | -1.825.606 |
| Cash flow from operating activities, excluding working capital | | 16.500.624 | 18.021.764 |
| Change in operating receivables | | -3.525.269 | -1.405.767 |
| Change in prepayments and accrued income | | 202.454 | 68.197 |
| Change in inventories | | 1.573 | -41.728 |
| Change in operating liabilities | | 699.800 | 602.824 |
| Change in accruals and deferred income | | -12.562 | -117.274 |
| Net cash flow from operating activities | | 13.866.620 | 17.128.016 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from investing activities | | 725.792 | 655.143 |
| Proceeds from interest and profit participation from investing | | 0 | 24.808 |
| Proceeds from disposal of property, plant and equipment | | 725.774 | 328.335 |
| Proceeds from disposal of current financial assets | | 18 | 302.000 |
| Finance expenses for investing | | -12.955.337 | -10.088.471 |
| Payments for intangible assets | | -403.981 | -581.585 |
| Payments for property, plant and equipment | | -11.919.546 | -8.847.348 |
| Payments for decrease of lease liabilities | | -631.810 | -659.538 |
| Net cash flow from investing activities | | -12.229.545 | -9.433.328 |
| Net increase in cash and cash equivalents | | 1.637.075 | 7.694.688 |
| Opening balance of cash and cash equivalents | | 25.792.606 | 18.097.821 |
| Effect of foreign exchange differences on cash and cash equivalents | | 126 | 97 |
| Cash and cash equivalents at the end of the period | | 27.429.807 | 25.792.606 |

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 |
|--------------------------------------------------------------|-------------------|-------------------|------------------|----------------------------------------|-----------------------|---------------------|-------------------|-----------------------------------|--------------------|
| 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 |
| Reclassification due to the transition to IFRS 16 | 0 | 0 | 0 | 0 | 0 | 0 | -378.330 | 0 | -378.330 |
| 1. 1. 2018 restated | 15.842.626 | 24.287.659 | 4.013.029 | 12.039.085 | 27.881.760 | -218.170 | -324.935 | 9.646.547 | 93.167.601 |
| Net profit from the previous year | 0 | 0 | 0 | 0 | 0 | 0 | 9.646.547 | -9.646.547 | 0 |
| Net profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11.870.051 | 11.870.051 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | 66.533 | 0 | 0 | 66.533 |
| Draw-down of actuarial deficit | 0 | 0 | 0 | 0 | 0 | 0 | -2.332 | 0 | -2.332 |
| 31. 12. 2018 restated | 15.842.626 | 24.287.659 | 4.013.029 | 12.039.085 | 27.881.760 | -151.637 | 9.319.280 | 11.870.051 | 105.101.853 |
| 1. 1. 2019 | 15.842.626 | 24.287.659 | 4.013.029 | 12.039.085 | 27.881.760 | -151.637 | 9.319.280 | 11.870.051 | 105.101.853 |
| Net profit from the previous year | 0 | 0 | 0 | 0 | 0 | 0 | 11.870.051 | -11.870.051 | 0 |
| Net profit for the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.733.395 | 8.733.395 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | 0 | -157.388 | 0 | 0 | -157.388 |
| Draw-down of actuarial deficit | 0 | 0 | 0 | 0 | 0 | 0 | -10.624 | 0 | -10.624 |
| Write-off of liabilities for dividends more than 5 years old | 0 | 0 | 0 | 0 | 0 | 0 | 35.982 | 0 | 35.982 |
| 31. 12. 2019 | 15.842.626 | 24.287.659 | 4.013.029 | 12.039.085 | 27.881.760 | -309.025 | 21.214.689 | 8.733.395 | 113.703.218 |

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 15 April 2020.

4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS

Statement of compliance

The financial statements for 2019 and 2018 were compiled in accordance with the IFRS, as adopted by the European Union. The accounting and reporting requirements of the IFRS have been applied, as well as the requirements of the ZGD-1 and the company's internal rules.

Basis of measurement

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

Functional and reporting currency

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

Use of estimates and judgments

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

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

Estimates and judgments were used in at least the following:

- Estimate of provisions (Point 4.3 [provisions] and Point 5.1.8 of the Financial Report),
- Estimate of useful life of intangible assets and property, plant and equipment (Point 4.3 [intangible assets and property, plant and equipment], and Points 5.1.1 and 5.1.2 of the Financial Report),
- Estimate of recoverable value of receivables (Point 4.3 [impairment of assets] and Point 5.1.5 of the Financial Report),
- Estimate of fair value of financial assets (Point 4.3 [financial instruments]),
- Judgment with regard to impairment of assets (Point 4.3 of the Financial Report [impairment of assets]),
- Judgment with regard to the possibility of claiming deferred tax assets (Point 4.3 [corporate income tax] and Point 5.1.4 of the Financial Report).

Material changes in accounting policies

As of 1 January 2019 the company has implemented a new International financial reporting standard 16 Leases (hereinafter: IFRS 16 Leases), using the full retrospective approach.

The implementation of IFRS 16 Leases has had a material impact on the company's financial statements, which is disclosed below, and the policies are examined in detail in point 4.3.10.

The warehousing and logistics facility, which the company holds under a long-term lease until 2032, was recognised as an asset under the changeover. The value of the asset was calculated by taking account of the cash outflows for rents over the term of the lease, and applying a discount rate of 2.33% (see note 5.1.3).

In addition to the recognition of the right-of-use asset and a corresponding liability, the implementation of the aforementioned standard also saw the reclassification of superficies on land owned by the state from intangible assets to right-of-use assets on the basis of a reassessment of the contractual provisions. The corresponding liability was reclassified in parallel (for more details, see notes 5.1.1 and 5.1.3).

The impact on individual items in the financial statements is disclosed below (only the categories in which changes occurred are disclosed):

| in euros | | | | | | |
|--------------------------------------------------------------------|-------------|----------------------------------------|-------------------|-------------|----------------------------------------|---------------------|
| Effect of changeover to IFRS 16 Leases on balance sheet categories | 31.12.2017 | Effect of changeover to IFRS 16 Leases | 1.1.2018 restated | 31.12.2018 | Effect of changeover to IFRS 16 Leases | 31.12.2018 restated |
| Assets | 109.706.000 | 1.965.751 | 111.671.751 | 124.512.598 | 1.808.606 | 126.321.204 |
| Intangible assets | 9.230.023 | -7.995.075 | 1.234.948 | 9.954.847 | -8.337.639 | 1.617.208 |
| Right-of-use assets | 0 | 9.960.826 | 9.960.826 | 0 | 10.146.245 | 10.146.245 |
| Equity and liabilities | 109.706.000 | 1.965.751 | 111.671.751 | 124.512.598 | 1.808.606 | 126.321.204 |
| Retained earnings | 9.699.942 | -378.330 | 9.321.612 | 21.567.660 | -378.330 | 21.189.330 |
| Non-current operating liabilities | 7.506.543 | -7.064.788 | 441.755 | 8.029.786 | -7.510.793 | 518.993 |
| Non-current lease liabilities | 0 | 9.276.165 | 9.276.165 | 0 | 9.563.433 | 9.563.433 |
| Current operating liabilities | 6.275.483 | -417.669 | 5.857.814 | 8.445.956 | -448.518 | 7.997.438 |
| Current lease liabilities | 0 | 550.373 | 550.373 | 0 | 582.813 | 582.813 |

In connection with the change in the classification of superficies, there were also reclassifications made within property, plant and equipment, which have had no impact on the categories disclosed

in the balance sheet. The infrastructure built on land for which the company has obtained superficies from the state that is subject to IFRS 16 Leases was reclassified from infrastructure to a newly created category of investments in foreign non-current assets. The impact of this reclassification as at 1 January 2018 and 31 December 2018 is disclosed below:

in euros

| Tangible assets categories | 31.12.2017 | Effect of reclassification | 1.1.2018 restated | 31.12.2018 | Effect of reclassification | 31.12.2018 restated |
|-------------------------------------------|------------|----------------------------|-------------------|------------|----------------------------|---------------------|
| Infrastructure | 48.344.486 | -45.891.074 | 2.453.412 | 47.621.775 | -44.951.337 | 2.670.438 |
| investments in foreign non-current assets | 0 | 45.891.074 | 45.891.074 | 0 | 44.951.337 | 44.951.337 |
| Total | 48.344.486 | 0 | 48.344.486 | 47.621.775 | 0 | 47.621.775 |

in euros

| Effect of changeover to IFRS 16 Leases on income statement categories | 2018 | Effect of changeover to IFRS 16 Leases | 2018 restated |
|-----------------------------------------------------------------------|------------|----------------------------------------|---------------|
| Operating expenses | 31.979.662 | -26.147 | 31.953.515 |
| Cost of services | 9.372.612 | -183.292 | 9.189.320 |
| Amortisation and depreciation | 4.608.934 | 157.145 | 4.766.079 |
| Finance expenses | 379.886 | 26.147 | 406.033 |

in euros

| Effect of changeover to IFRS 16 Leases on cash flow statement categories | 2018 | Effect of changeover to IFRS 16 Leases | 2018 restated |
|--------------------------------------------------------------------------------------------------|------------|----------------------------------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Adjustments for amortisation/depreciation of intangible assets and property, plant and equipment | 4.608.934 | 157.145 | 4.766.079 |
| Adjustment for finance expenses | 377.550 | 52.055 | 429.605 |
| Cash flow from operating activities, excluding working capital | 17.812.564 | 209.200 | 18.021.764 |
| Change in operating liabilities | 362.665 | 240.159 | 602.824 |
| Net cash flow from operating activities | 16.678.657 | 449.359 | 17.128.016 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Finance expenses for investing | -9.639.112 | -449.359 | -10.088.471 |
| Payments for intangible assets | -791.764 | 210.179 | -581.585 |
| Payments for decrease of lease liabilities | 0 | -659.538 | -659.538 |
| Net cash flow from investing activities | -8.983.969 | -449.359 | -9.433.328 |

4.3 SIGNIFICANT ACCOUNTING POLICIES

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

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

4.3.1 FOREIGN CURRENCY

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

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

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

| in euros | | | |
|------------------------------------------|-------------------------|------------|---------------|
| | Type of asset/liability | 2019 | 2018 restated |
| ASSETS | | | |
| Non-current operating receivables | Non-financial asset | 59.873 | 59.873 |
| Current financial assets | Financial asset | 0 | 18 |
| Current operating receivables | | 4.271.876 | 5.286.689 |
| - Current trade receivables | Financial asset | 3.863.649 | 4.977.983 |
| - Other operating receivables | Financial asset | 408.227 | 308.706 |
| Cash and cash equivalents | Financial asset | 27.429.807 | 25.792.606 |
| Current prepayments and accrued income | | 22.596 | 225.185 |
| - Current prepayments and accrued income | Non-financial asset | 22.121 | 31.451 |
| - Current prepayments and accrued income | Financial asset | 475 | 193.734 |
| EQUITY AND LIABILITIES | | | |
| Non-current operating liabilities | | 534.698 | 518.993 |
| - Non-current operating liabilities | Financial liability | 189.094 | 173.389 |
| - Non-current operating liabilities | Non-financial liability | 345.604 | 345.604 |
| Non-current lease liabilities | Financial liability | 9.325.435 | 9.563.433 |
| Current operating liabilities | | 5.130.333 | 7.997.439 |
| - Current trade payables | Financial liability | 3.507.159 | 5.731.077 |
| - Other current liabilities | Financial liability | 1.623.174 | 2.266.362 |
| Current lease liabilities | Financial liability | 585.811 | 582.813 |
| Current accruals and deferred income | | 688.603 | 771.338 |
| - Current accruals and deferred income | Financial liability | 605.449 | 724.364 |
| - Current accruals and deferred income | Non-financial liability | 83.154 | 46.974 |

4.3.3 FINANCIAL INSTRUMENTS

a) Capital instruments, debt instruments and derivatives

For the purposes of financial risk management, the Fraport Group's financial policy does not envisage Fraport Slovenia independently investing cash in financial instruments of various forms, thereby generating finance income. Neither is it envisaged that the company would use derivatives

for hedging against risks, or hold or issue derivatives for trading purposes. The company is not disclosing any receivables or liabilities from loans granted or loans received.

The company discloses two financial assets under its non-current financial assets, namely a participating interest in another undertaking and corporate bonds issued by another undertaking; it acquired both before it joined the Fraport Group and they were impaired in full before 2019. The amount thereof is not material, and the company assesses that their carrying amount is equal to their fair value.

b) Operating receivables

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

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

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

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

Impairments

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

The need to create allowances for future expected losses on receivables is additionally assessed. The company creates allowances for future expected losses using a simplified model taking account of credit risk and its increase across individual stages of operating receivables. Receivables from the domestic airline are treated in this context as an individual group of receivables; with the exception of a small component of receivables that are secured by real estate, allowances had been created for them in full as at the reporting date. The bankruptcy of the domestic airline has had no impact on the need to create additional allowances for future expected losses, as this is a one-off business event. In light of the above, and the current age breakdown of trade receivables, and given that the allowances created between 2013 and 2018 (with the exception of receivables from the domestic airline) display a declining trend, and that the amounts of allowances created are immaterial, the company is not creating allowances for future expected credit losses.

c) Cash

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

4.3.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

Depreciation 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: | 2019 |
|--------------------------------------------------------------|--------------|
| Infrastructure (with components) | 10–60 years |
| Computer equipment | 3–12.5 years |
| Motor vehicles | 5–12.5 years |
| Other plant and equipment | 5–20 years |

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

There were no changes in amortisation/depreciation rates in 2019.

4.3.5 INTANGIBLE ASSETS

Recognition and measurement

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

Subsequent costs

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

Amortisation

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

The estimated useful lives for licences and software are between 2 and 10 years.

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

4.3.6 INVENTORIES

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

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

4.3.7 IMPAIRMENT

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

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

Inventories are impaired if their carrying amount exceeds their market value. Market value means the recoverable amount, unless this is higher than the net realisable value (in which case the net

realisable value is deemed the market value). Operating expenses are recognised as reductions in inventory value due to impairment.

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

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

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

4.3.8 EQUITY

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

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

4.3.9 EMPLOYEE BENEFITS

a) Pension liabilities and post-employment benefits

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

b) Termination benefits

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

c) Non-current employee benefits

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

d) Provisions for termination benefits and jubilee benefits

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

4.3.10 LEASES

a) Identification of leases

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

b) Assets under lease

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

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

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

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

| The estimated useful life falls within the following ranges: | 2019 |
|--------------------------------------------------------------|----------|
| Land | 40 years |
| Infrastructure | 13 years |

The company applied the full retrospective approach in the implementation of IFRS 16. The effects of the implementation are disclosed in point 4.2 (Material changes in accounting policies).

c) Leased assets (outward)

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

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

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

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

4.3.11 PROVISIONS

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

Provisions for termination benefits and jubilee benefits

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

4.3.12 ACCRUED AND DEFERRED ITEMS

Non-current accrued and deferred items

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. Government grants received are recognised when there is an acceptable assurance that the company will receive the grants and will meet all the relevant conditions, and are disclosed under the aforementioned category. Government grants received for covering costs are recognised 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.

Current accrued and deferred items

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

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

4.3.13 OPERATING REVENUES

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

a) Revenues from services provided

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

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

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

- identification of the contract,
- identification of the performance obligations,
- determination of the transaction price,
- allocation of the transaction price to the performance obligations,

- recognition of the revenue when the company satisfies a performance obligation.

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

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

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

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

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

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

The company recognises revenue at the moment or during the period when it meets (or is meeting) the performance obligation by transferring the service to the customer, whereby the service is deemed to have been transferred when the customer obtains all the benefits from the service. Performance obligations with regard to airport services and ground handling services are deemed to have been met at the moment that an aircraft takes off. For commercial services, the moment of performance is when the services have been provided (e.g. parking or warehousing has been

completed), while for commercial services provided on a continuous basis, such as rents and advertising services, a period of one month is taken into account from the perspective of the performance of contractual obligations. For services provided according to a price list, a payment term of 15 days is generally applied, while for services charged on the basis of contracts with customers, a payment deadline of 15 to 30 days is generally applied. Advance payment is required of certain partners, with the aim of reducing credit risk.

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

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

b) Government grants

Government grants received for covering costs are recognised as revenue in the periods in which the relevant costs are incurred. Government grants in connection with assets are recognised in profit or loss as other operating revenues over the useful life of the asset in question, in an amount equal to the amortisation/depreciation charged on the assets acquired with the government grants.

4.3.14 EXPENSES

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

4.3.15 FINANCE INCOME AND EXPENSES

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

Interest revenues on financial assets are recognised as they arise using the effective interest rate method. Revenues from default interest are recognised upon payment.

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

4.3.16 INCOME TAX EXPENSE

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

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

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

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

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

4.3.17 CHANGES IN ACCOUNTING STANDARDS

Accounting standards and amendments and clarifications to existing standards effective for annual periods beginning on or after 1 January 2019 and approved by the EU:

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change.

The accounting policies applying to leases are presented in detail in point 4.3.10.

IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

The aforementioned interpretation has no impact on the company's financial statements.

Accounting standards and amendments and clarifications to existing standards issued by the International Accounting Standards Board (IASB) effective for annual periods beginning on or after 1 January 2020 that were not adopted early by the company:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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 | 31.12.2019 | 31.12.2018 restated | 1.1.2018 restated |
| Intangible assets | 1.674.651 | 1.617.208 | 1.227.310 |
| Non-current prepayments and accrued income | 0 | 0 | 7.638 |
| Total | 1.674.651 | 1.617.208 | 1.234.948 |

| in euros | | | | |
|-----------------------------------|--------------------|-----------------|----------------------------------|------------------|
| | Licences, software | Property rights | Intangible assets in acquisition | Total |
| HISTORICAL COST | | | | |
| 31.12.2018 | 3.366.969 | 156.936 | 167.079 | 3.690.984 |
| Acquisitions | 0 | 0 | 403.981 | 403.981 |
| Capitalisations | 220.517 | 0 | -220.517 | 0 |
| Eliminations | -767.300 | 0 | 0 | -767.300 |
| 31.12.2019 | 2.820.186 | 156.936 | 350.543 | 3.327.665 |
| IMPAIRMENT | | | | |
| 31.12.2018 | 2.043.587 | 30.189 | 0 | 2.073.776 |
| Amortisation | 324.951 | 10.908 | 0 | 335.859 |
| Eliminations | -756.621 | 0 | 0 | -756.621 |
| 31.12.2019 | 1.611.917 | 41.097 | 0 | 1.653.014 |
| CARRYING AMOUNT | | | | |
| 31.12.2018 | 1.323.382 | 126.747 | 167.079 | 1.617.208 |
| 31.12.2019 | 1.208.269 | 115.839 | 350.543 | 1.674.651 |
| HISTORICAL COST | | | | |
| 31.12.2017 | 2.387.936 | 8.982.547 | 513.656 | 11.884.139 |
| Adjustment: changeover to IFRS 16 | 0 | -8.825.611 | 0 | -8.825.611 |
| 1.1.2018 | 2.387.936 | 156.936 | 513.656 | 3.058.528 |
| Acquisitions | 0 | 0 | 581.585 | 581.585 |
| Transfer from tangible assets | 0 | 0 | 50.871 | 50.871 |
| Capitalisations | 979.033 | 0 | -979.033 | 0 |
| Eliminations | 0 | 0 | 0 | 0 |
| 31.12.2018 | 3.366.969 | 156.936 | 167.079 | 3.690.984 |
| IMPAIRMENT | | | | |
| 31.12.2017 | 1.811.938 | 849.816 | 0 | 2.661.754 |
| Adjustment: changeover to IFRS 16 | 0 | -830.536 | 0 | -830.536 |
| 1.1.2018 | 1.811.938 | 19.280 | 0 | 1.831.218 |
| Amortisation | 231.649 | 10.909 | 0 | 242.558 |
| 31.12.2018 | 2.043.587 | 30.189 | 0 | 2.073.776 |
| CARRYING AMOUNT | | | | |
| 31.12.2017 | 575.998 | 8.132.731 | 513.656 | 9.222.385 |
| 1.1.2018 | 575.998 | 137.656 | 513.656 | 1.227.310 |
| 31.12.2018 | 1.323.382 | 126.747 | 167.079 | 1.617.208 |

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

With IFRS 16 effective as of 1 January 2019, a reassessment was made of the superficies that the company obtained in 2014 on the basis of the General agreement on mutual relations and the establishment of superficies for the use of certain land. It was established that the asset meets the conditions for recognition under IFRS 16, and therefore has been disclosed as of 1 January 2018 under assets that the company has a right to use (right-of-use assets).

The company had commitments in the amount of EUR 59,177 as at 31 December 2019 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 | 2019 | 2018 |
| Land | 16.063.501 | 16.297.138 |
| Infrastructure | 2.376.869 | 2.670.438 |
| Investments in foreign non-current assets | 47.763.190 | 44.951.337 |
| Plant and equipment | 13.817.016 | 11.194.303 |
| Property, plant and equipment in acquisition | 7.421.266 | 7.229.976 |
| Total | 87.441.842 | 82.343.192 |

| in euros | | | | | |
|---------------------------------|-------------------|--------------------------------------------------------------|---------------------|----------------------------------------------|--------------------|
| | Land | Infrastructure and investments in foreign non-current assets | Plant and equipment | Property, plant and equipment in acquisition | Total |
| HISTORICAL COST | | | | | |
| 31.12.2018 | 16.297.138 | 114.758.683 | 51.537.132 | 7.229.976 | 189.822.929 |
| Transfer to right-of-use assets | 0 | 0 | 0 | 0 | 0 |
| Transfer between categories | -5.690 | 5.690 | 0 | 0 | 0 |
| Acquisitions | 0 | 0 | 0 | 10.445.389 | 10.445.389 |
| Capitalisations | 257.664 | 4.996.748 | 4.872.347 | -10.126.759 | 0 |
| Reconciliation | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Eliminations | -485.611 | -429.997 | -2.451.626 | -127.340 | -3.494.574 |
| 31.12.2019 | 16.063.501 | 119.331.124 | 53.957.853 | 7.421.266 | 196.773.744 |
| IMPAIRMENT | | | | | |
| 31.12.2018 | 0 | 67.136.908 | 40.342.829 | 0 | 107.479.737 |
| Depreciation | 0 | 2.484.154 | 2.237.149 | 0 | 4.721.303 |
| Eliminations | 0 | -429.997 | -2.439.141 | 0 | -2.869.138 |
| 31.12.2019 | 0 | 69.191.065 | 40.140.837 | 0 | 109.331.902 |
| CARRYING AMOUNT | | | | | |
| 31.12.2018 | 16.297.138 | 47.621.775 | 11.194.303 | 7.229.976 | 82.343.192 |
| 31.12.2019 | 16.063.501 | 50.140.059 | 13.817.016 | 7.421.266 | 87.441.842 |
| HISTORICAL COST | | | | | |
| 31.12.2017 | 15.208.607 | 114.079.375 | 50.256.349 | 3.690.431 | 183.234.762 |
| Acquisitions | 0 | 0 | 0 | 10.838.717 | 10.838.717 |
| Transfer to intangible assets | | | | -50.871 | -50.871 |
| Capitalisations | 1.088.531 | 1.528.157 | 4.069.079 | -6.685.767 | 0 |
| Reconciliation | 0 | 0 | 0 | -4 | -4 |
| Impairments | 0 | 0 | 0 | -29.265 | -29.265 |
| Eliminations | 0 | -848.849 | -2.788.296 | -533.265 | -4.170.410 |
| 31.12.2018 | 16.297.138 | 114.758.683 | 51.537.132 | 7.229.976 | 189.822.929 |
| IMPAIRMENT | | | | | |
| 31.12.2017 | 0 | 65.734.889 | 41.174.192 | 0 | 106.909.081 |
| Depreciation | 0 | 2.182.423 | 1.947.075 | 0 | 4.129.498 |
| Eliminations | 0 | -780.404 | -2.778.438 | 0 | -3.558.842 |
| 31.12.2018 | 0 | 67.136.908 | 40.342.829 | 0 | 107.479.737 |
| CARRYING AMOUNT | | | | | |
| 31.12.2017 | 15.208.607 | 48.344.486 | 9.082.157 | 3.690.431 | 76.325.681 |
| 31.12.2018 | 16.297.138 | 47.621.775 | 11.194.303 | 7.229.976 | 82.343.192 |

The property, plant and equipment disclosed as at 31 December 2019 was free of encumbrance, and there are no indications of impairment. Liabilities to suppliers of property, plant and equipment amounted to EUR 1,482,731 as at 31 December 2019.

Land

As at 31 December 2019 the company owned 34.4 hectares of brownfield and greenfield land in the cadastral municipalities of Grad, Šenčur, Cerklje na Gorenjskem, Velesovo and Zgornji Brnik.

Land measuring 0.4 hectares and valued at EUR 257,664 was acquired in 2019, while land measuring 0.8 hectares and valued at EUR 485,611 was sold.

Land of 510 hectares in the area of Ljubljana's Jože Pučnik Airport, where the company pursues its core business activities, became the property of the Republic of Slovenia (the state) and is not disclosed in the company's books of account. For some of this land, an agreement on mutual relations and the establishment of general superficies was signed with the Ministry of Infrastructure and Spatial Planning, under which the company obtained superficies on 244 hectares of land owned by the state (explained in detail in point 5.1.3 of the Financial Report). A minority of the remaining area is the airport's functional land, which will partly be assigned to use by other users of airport or operators of other infrastructure (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 and investments in foreign non-current assets

Activations increased the value of infrastructure and investments in foreign non-current assets by EUR 4,996,748 in 2019. The majority of this amount relates to the activation of two new items of infrastructure:

| | in euros |
|--------------------------------------------------|-------------|
| | 2019 |
| Aviation academy building with training facility | 3.471.606 |
| Central energy facility | 1.335.791 |

Plant and equipment

Plant and equipment in the total amount of EUR 4,872,347 was activated in 2019. The majority of this amount comprises:

| | in euros |
|--------------------------------------------------------------------------------------------------|-------------|
| | 2019 |
| Model planes for aviation academy including internal and external gas burners and radiant panels | 1.895.282 |
| Equipment for aviation academy | 272.444 |

Disposals of equipment primarily relate to the replacement of obsolete and worn equipment. The main categories of disposed equipment are as follows, while certain assets with residual market value were sold:

| | in euros | | |
|-----------------------------|-----------------|------------|-----------------|
| | Historical cost | Impairment | Carrying amount |
| Schoerling brush (3 items) | 412.240 | 412.240 | 0 |
| Deicing vehicle | 409.789 | 409.789 | 0 |
| Electricity substation | 77.092 | 77.092 | 0 |
| Unimog goods vehicle | 69.764 | 69.764 | 0 |
| Obsolete computer equipment | 65.333 | 65.333 | 0 |
| TAM goods vehicle | 63.365 | 63.365 | 0 |
| Vacuum truck | 53.539 | 53.539 | 0 |
| Conveyor belt | 51.899 | 51.899 | 0 |
| Friction meter | 46.450 | 46.450 | 0 |

Property, plant and equipment in acquisition

Property, plant and equipment in acquisition amounted to EUR 7,421,266 as at 31 December 2019. The major investments in progress included in this amount were as follows:

| | in euros |
|--------------------------------------------------------------------|-------------|
| | 2019 |
| Expansion of existing passenger terminal | 3.113.662 |
| Construction of connecting roads in airport zone | 1.481.034 |
| Refurbishment and expansion of premises of fire and rescue service | 916.230 |
| Construction of hangars for aircraft ground handling equipment | 618.509 |

The company had commitments in the amount of EUR 16,609,398 as at 31 December 2019 on the basis of contracts for the procurement of property, plant and equipment that have been signed but not yet realised; the majority of this amount (EUR 15,323,917) relates to the investment in the expansion of the passenger terminal.

Impact of changes in amortisation/depreciation rates

There were no changes in amortisation/depreciation rates in 2019.

Direct costs of employee earnings included in historical cost of infrastructure

The company included EUR 293,887 of direct costs of employee earnings in the historical cost of acquired infrastructure in 2019, in substantive terms these are supervisory services on construction sites and project management services for investment projects provided by company staff.

Leased assets (inward)

| | | | in euros |
|-----------------|-------------------------------------------------------------------------|---------------------------|------------------|
| Type of lease | Subject of lease | Period to expiry of lease | Revenues in 2019 |
| Operating lease | Warehousing and logistics facility where the company holds right of use | indefinite* | 303.004 |
| Operating lease | Warehousing and logistics facility owned by the company | 11 years 4 months | 322.080 |
| Operating lease | Aircraft maintenance hangar | 3 years 11 months | 420.376 |
| Operating lease | Aircraft hangar | 1 year 6 months | 67.470 |
| Operating lease | Land | 25 years ** | 9.804 |
| Total | | | 1.122.734 |

* Possibility of termination by either contracting party in 2022 with one-year notice period.

** The contract has been concluded for a term of 25 years as of the first day of operation of the warehousing and logistics facility to be built on the land in question; operation is scheduled to begin in the third quarter of 2020. The tenant has the option of unilaterally terminating the contract in 2034 under the terms agreed in the contract.

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 where the company holds right of use | 308.458 | 539.801 | 0 | 848.259 |
| Warehousing and logistics facility owned by the company | 328.256 | 1.313.024 | 2.078.956 | 3.720.236 |
| Aircraft maintenance hangar | 428.422 | 1.249.562 | 0 | 1.677.984 |
| Aircraft hangar | 34.382 | 0 | 0 | 34.382 |
| Land | 30.140 | 160.748 | 823.834 | 1.014.722 |
| Total | 1.129.658 | 3.263.135 | 2.902.790 | 7.295.583 |

Value of non-current assets let under lease

| | | | in euros |
|-------------------------------------------------------------------------|-------------------|------------------|------------------|
| Subject of lease | Historical cost | Impairment | Carrying amount |
| Warehousing and logistics facility where the company holds right of use | 3.440.231 | 408.297 | 3.031.934 |
| Warehousing and logistics facility owned by the company | 2.917.729 | 908.913 | 2.008.816 |
| Aircraft maintenance hangar | 4.190.718 | 1.104.232 | 3.086.486 |
| Aircraft hangar | 564.153 | 252.403 | 311.750 |
| Land | 400.684 | 0 | 400.684 |
| Total | 11.513.515 | 2.673.845 | 8.839.670 |

5.1.3 RIGHT-OF-USE ASSETS

| | in euros | |
|----------------------------------------------------|---------------------|----------------------------------|
| | 31. 12. 2019 | 31. 12. 2018 restated |
| Warehousing and logistics facility | 2.029.739 | 2.186.936 |
| Land (superficies granted by Republic of Slovenia) | 7.731.832 | 7.959.309 |
| Total | 9.761.571 | 10.146.245 |

- Interest expenses disclosed in the income statement for 2019, and total cash outflow in 2019

| | in euros | | |
|---------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------|--------------|
| | Warehousing and logistics facility | Land (superficies granted by Republic of Slovenia) | Total |
| Interest expenses disclosed in 2019 income statement | 48.997 | 347.813 | 396.810 |
| Cash outflows in 2019 | 183.292 | 448.518 | 631.810 |

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

Under the general agreement on mutual relations and the establishment of superficies with regard to the use of specific land (concluded with Ministry of Infrastructure and Planning in March 2014), the company obtained superficies on 242 hectares of land owned by the state that the company uses for its core airport activities, part of which is functional land, for a period of 40 years from 1 January 2014, i.e. until 1 January 2054. Annexes 1 and 2 to the aforementioned agreement were signed in 2017 and 2018, under which the company also obtained superficies on an additional 3.2 hectares of land owned by the state for the period until 1 January 2054. At the same time the scope of its superficies was reduced on 0.5 hectares of land where it will not need to exercise the right in the future. The newly acquired superficies mostly relates to land on which the construction of commercial infrastructure is envisaged under the long-term plans. The contract has been signed and is being performed in accordance with its provisions and the restrictions set out by the Aviation Act and other relevant legislation governing this area.

Until 31 December 2018, the superficies under the aforementioned agreement was disclosed under intangible assets as property rights. On the basis of the reassessment referred to in the previous paragraph, with IFRS 16 Leases now effective it was established that the aforementioned agreement meets the conditions for recognition under the aforementioned standard. As a result the asset was reclassified from intangible assets to right-of-use assets. The value of the asset was aligned with the amount of the liability under the aforementioned agreement disclosed in the company's books of account as at 1 January 2019, where future cashflows for the repayment of the liability were discounted at a rate taken from the valuation reports cited as appendices to the agreement and the annexes, which formed the basis for determining the contractually agreed payments.

Given that some of the liability was repaid in a lump sum in 2014 immediately after the signing of the agreement, and that the annual principal repayment deviated from the annual amount of amortisation

charged, the aforementioned reclassification resulted in the right-of-use asset being marked down by EUR 378,329 as at 1 January 2019 relative to the value of the intangible asset as at 31 December 2018. The company reduced its retained earnings by the same amount.

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

The fee for superficies is paid in annual instalments of a fixed amount. The company accordingly disclosed EUR 7,410,087 of non-current operating liabilities and EUR 448,518 of current operating liabilities as at 31 December 2019 (see notes 5.1.8 and 5.1.9).

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

- Warehousing and logistics facility

The right-of-use assets whose right of use was obtained by the company under IFRS 16 include the warehousing and logistics facility leased by the company under a lease agreement signed in 2007. The subject of the lease is a warehousing and logistics facility with a total floorspace of 2,703 m² and corresponding parking space. The agreement was signed for a term of 25 years, with each of the contracting parties able to terminate the agreement with a one-year notice period.

At recognition of this assets under IFRS 16 the full retrospective approach was taken (effects of changeover to IFRS 16 Leases on financial statements are explained in detail in point 4.2 Material changes in accounting policies).

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

The rent is charged monthly, and the instalment is fixed. The company accordingly disclosed EUR 1,915,348 of non-current operating liabilities and EUR 137,293 of current operating liabilities as at 31 December 2019.

The warehousing and logistics facility was sub-let for the period to September 2022 on the basis of an irrevocable agreement. The annual rent amounts to EUR 308,458. The present value of future rents for the period of January 2020 to September 2022 amounts to EUR 848,259 (EUR 308,459 for both 2020 and 2021, and EUR 231,343 for 2022).

5.1.4 DEFERRED TAX ASSETS

| in euros | | |
|---------------------------------------------------------------------------------------------------------|-----------|---------|
| Deferred tax assets, from: | 2019 | 2018 |
| Impairment of current operating receivables (Note 5.1.4) | 792.585 | 157.115 |
| Provisions for jubilee benefits and termination benefits | 171.802 | 151.882 |
| Amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO | 199.638 | 142.992 |
| Impairment of financial assets | 45.288 | 56.044 |
| Total | 1.209.313 | 508.033 |

5.1.5 CURRENT OPERATING RECEIVABLES

| in euros | | |
|----------------------------------------|-----------|-----------|
| Current operating receivables | 2019 | 2018 |
| Current trade receivables | 3.863.648 | 4.977.983 |
| Current receivables for advances given | 62.962 | 10.576 |
| Other current receivables | 345.266 | 298.130 |
| Total | 4.271.876 | 5.286.689 |

| in euros | | | |
|----------------------------------------|-------------|------------------|-----------|
| Current operating receivables 2019 | Gross value | Value adjustment | Net value |
| Current trade receivables | 8.089.977 | -4.226.328 | 3.863.649 |
| Current receivables for advances given | 62.962 | 0 | 62.962 |
| Other current receivables | 345.265 | 0 | 345.265 |
| Total | 8.498.204 | -4.226.328 | 4.271.876 |

| in euros | | |
|-----------------------------------------------------------|-----------|-----------|
| Trade receivables | 2019 | 2018 |
| Trade receivables from domestic customers | 1.846.085 | 3.322.904 |
| Trade receivables from customers in the rest of the world | 2.017.564 | 1.655.079 |
| Total | 3.863.649 | 4.977.983 |

The change in the breakdown of trade receivables from customers in Slovenia and abroad as at 31 December 2019 relative to 31 December 2018 is the result of the bankruptcy of the national flag carrier. Trade receivables from domestic customers were down on the previous year, while the increase in foreign airlines' traffic, which partly replaced the flights lost in the bankruptcy, has been reflected in a slight increase in receivables from these customers.

| in euros | | |
|--------------------------------------|-----------|---------|
| Changes in impairment of receivables | 2019 | 2018 |
| Balance as at 1 January | 881.747 | 884.556 |
| Increase: newly created allowances | 3.355.442 | 1.800 |
| Decrease: write-off of receivables | -10.861 | -4.609 |
| Balance as at 31 December | 4.226.328 | 881.747 |

Impairments in the amount of EUR 3,324,280 were created for the receivables from the national flag carrier that were left unpaid by the bankruptcy, whereby part of the expenses in the amount of EUR 1,350,000 was covered by an accounts receivable insurance claim with an insurer. Impairments

have not been created for part of the receivables in the amount of EUR 400,000 that are secured by movable property collateral.

| | in euros | |
|----------------------------------|-------------|-------------|
| Other current receivables | 2019 | 2018 |
| VAT assets | 109.404 | 236.910 |
| Other current receivables | 235.862 | 61.220 |
| Total | 345.266 | 298.130 |

5.1.6 CASH AND CASH EQUIVALENTS

| | in euros | |
|------------------------------------------|-------------|-------------|
| Cash and cash equivalents | 2019 | 2018 |
| Short-term deposit at parent undertaking | 25.500.000 | 0 |
| Cash in bank balances | 1.887.990 | 25.745.162 |
| Cash on hand | 41.817 | 47.444 |
| Total | 27.429.807 | 25.792.606 |

5.1.7 EQUITY

Equity amounted to EUR 113,703,218 as at 31 December 2019, up 8,4% or EUR 8,846,156 on 31 December 2018. It accounted for 86% of total equity and liabilities (compared with 84.7% as at 31 December 2018). The company did not hold any share in treasury or any authorised capital as at 31 December 2019, and the owner did not pass any resolution to increase the nominal capital. The changes in equity in 2019 and 2018 are disclosed in the statement of changes in equity (point 3.4 of the Financial Report).

The nominal capital was unchanged from 31 December 2018 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 | 2019 | 2018 |
| 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 | 2019 | 2018 |
| Unrealised actuarial loss from post-employment benefits (Note 5.1.7) | -309.025 | -151.637 |
| Total | -309.025 | -151.637 |

Retained earnings

Retained earnings in the amount of EUR 29,948,084 comprise the residual distributable profit for 2018 in the amount of EUR 21,214,689 and net profit from 2019 in the amount of EUR 8,733,395.

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 | 2019 | 2018 |
| Net profit for the period | 8.733.395 | 11.870.051 |
| + retained earnings | 21.214.689 | 9.319.280 |
| = distributable profit | 29.948.084 | 21.189.331 |
| - payment to owner | | 0 |
| = remaining distributable profit | | 21.189.331 |

5.1.8 PROVISIONS AND NON-CURRENT ACCRUALS AND DEFERRED INCOME

Provisions and non-current accruals and deferred income in the total amount of EUR 2,244,011 relate to:

- provisions for employee termination benefits and jubilee benefits, the requisite amount of which was determined by actuarial calculation (EUR 1,596,519),
- long-term deferred income from co-financing of IAOP project (Initial airport operation plan) by EU in the amount of EUR 270,282,
- provisions for litigation for underpaid leave allowance for 2019 in the amount of EUR 253,636,
- deferred income from easement acquired free-of-charge on government-owned land on which the Šenčur anti-noise barrier was planted (EUR 58,752).
- 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 42,409; the amount of the draw-down is the depreciation charge for these assets in 2019 (other operating revenues are disclosed in the same amount),
- non-current deferred income from incentives received in 2019 for the purchase of electric vehicles (EUR 22,413).

in euros

| Changes in 2019 | Balance as at 1.1.2019 | Utilisation | Formation | Actuarial loss | Balance as at 31.12.2019 |
|-----------------------------------------------------------------------------------------------------------------|------------------------|----------------|----------------|----------------|--------------------------|
| Provisions for jubilee benefits | 400.024 | 32.623 | 36.025 | 35.466 | 438.892 |
| Provisions for termination benefits | 963.912 | 38.533 | 64.237 | 168.012 | 1.157.628 |
| Long-term deferred income: grants for property, plant and equipment | 45.237 | 2.828 | 0 | 0 | 42.409 |
| Non-current deferred income from incentives received for the purchase of electric vehicles | 0 | 791 | 23.204 | 0 | 22.413 |
| Long-term deferred income: EU funds for co-financing IAOP project | 0 | 171.205 | 171.205 | 0 | 0 |
| Long-term deferred income: free-of-charge acquisition of easement on government-owned land (anti-noise barrier) | 67.268 | 8.516 | 0 | 0 | 58.752 |
| Long-term deferred income: EU funds for co-financing IAOP project | 308.894 | 38.612 | 0 | 0 | 270.282 |
| Other non-current provisions | 0 | 0 | 253.636 | 0 | 253.636 |
| Total | 1.785.335 | 293.108 | 548.307 | 203.478 | 2.244.012 |

in euros

| Changes in 2018 | Balance as at 1.1.2018 | Utilisation | Formation | Actuarial loss | Balance as at 31.12.2018 |
|-----------------------------------------------------------------------------------------------------------------|------------------------|----------------|----------------|----------------|--------------------------|
| Provisions for jubilee benefits | 380.518 | 42.746 | 30.956 | 31.296 | 400.024 |
| Provisions for termination benefits | 990.104 | 14.956 | 61.756 | -72.992 | 963.912 |
| Long-term deferred income: grants for property, plant and equipment | 97.841 | 52.604 | 0 | 0 | 45.237 |
| Long-term deferred income: EU funds for co-financing IAOP project | 171.205 | 171.205 | 0 | 0 | 0 |
| Long-term deferred income: free-of-charge acquisition of easement on government-owned land (anti-noise barrier) | 75.784 | 8.516 | 0 | 0 | 67.268 |
| Long-term deferred income: EU funds for co-financing IAOP project | 0 | 0 | 308.894 | 0 | 308.894 |
| Total | 1.715.452 | 290.027 | 401.606 | -41.696 | 1.785.335 |

- Provisions for termination benefits and jubilee benefits

Provisions for termination benefits and jubilee benefits were created in the amount of estimated future commitments for termination benefits and jubilee benefits, discounted to the balance sheet date. The calculation was made for each employee, taking into account the costs of termination benefits and the cost of all expected jubilee benefits until retirement. The calculation allows for growth in the amounts of retirement benefits and jubilee benefits set out in the decree on the treatment of the reimbursement of costs and other employment earnings for tax purposes in the amount of 3% in 2020 and 2% annually in subsequent years.¹ The forecast staff turnover at the company and projected wage growth have been taken into account. The selected annual discount rate is 0.7%, 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 2018 | 963.912 | 400.024 | 1.363.936 |
| Current service cost | 46.940 | 28.563 | 75.503 |
| Interest cost | 17.296 | 7.462 | 24.758 |
| Draw-down | -38.533 | -32.623 | -71.156 |
| Change in financial assumptions (actuarial loss) | 164.006 | 46.167 | 210.173 |
| Experience (actuarial gain) | 4.006 | -10.701 | -6.695 |
| Balance of provisions as at 31 December 2019 | 1.157.627 | 438.892 | 1.596.519 |

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

in euros

| Sensitivity analysis to important actuarial assumptions | Termination benefits | Jubilee benefits | Total |
|----------------------------------------------------------------|-----------------------------|-------------------------|--------------|
| Baseline scenario | 1.157.627 | 438.892 | 1.596.519 |
| Discount rate: -0.5 percentage points | 1.244.003 | 462.212 | 1.706.215 |
| Discount rate: +0.5 percentage points | 1.079.591 | 417.407 | 1.496.998 |
| Salary growth: -0.5 percentage points | 1.080.418 | 417.671 | 1.498.089 |
| Salary growth: +0.5 percentage points | 1.242.116 | 461.670 | 1.703.786 |

- Provisions for litigation for underpaid leave allowance for 2019

A lawsuit was filed against the company in 2019, in which the plaintiff is demanding higher leave allowance payments for 2019. Based on an assessment of the likely outcome of the lawsuit, provisions in the amount of EUR 253,636 were recorded. This is the shortfall in the amount of leave allowance paid that would need to be paid in the event of the court finding in favour of the plaintiff, given the headcount at the company, including default interest charged between the actual day of payment of leave allowance and 31 December 2019.

- Long-term deferred income from co-financing of IAOP project

The investment in the Initial Airport Operation Plan (IAOP) amounted to EUR 617,789 in 2018, of which EUR 371,272 was financed by EU funding. This investment is helping to improve processes to increase air traffic capacity, thereby reducing delays over which the airport can exert an influence (those deriving from procedures for handling passengers, aircraft and cargo, and airport operating procedures).

The amount of EUR 270,282 disclosed under long-term deferred income represents the part of the co-financing that will be transferred to operating revenues in future years proportionately to the amortisation charge on intangible assets obtained as part of the investment in the IAOP traffic information system.

5.1.9 NON-CURRENT OPERATING LIABILITIES

in euros

| Non-current operating liabilities | 2019 | 2018 |
|-------------------------------------------------------------|----------------|----------------|
| Liabilities for municipal charge for North Car Park | 345.604 | 345.604 |
| Trade payables for non-current security deposits | 114.743 | 102.766 |
| Liabilities for superficies for aircraft maintenance hangar | 74.351 | 70.623 |
| Total | 534.698 | 518.993 |

5.1.10 NON-CURRENT LEASE LIABILITIES

in euros

| Non-current lease liabilities | 2019 | 2018 |
|-------------------------------------------------------------------------------------------------|------------------|------------------|
| Liabilities to Republic of Slovenia for superficies (Note 5.1.3) | 7.410.087 | 7.510.792 |
| Liabilities under long-term lease agreement for warehousing and logistics facility (Note 5.1.3) | 1.915.348 | 2.052.641 |
| Total | 9.325.435 | 9.563.433 |

5.1.11 CURRENT OPERATING LIABILITIES

in euros

| Current operating liabilities | 2019 | 2018 |
|--------------------------------------------|------------------|------------------|
| Current trade payables | 2.921.348 | 5.731.077 |
| Current liabilities for advances | 103.521 | 73.037 |
| Current liabilities for security deposits | 561.832 | 163.360 |
| Current liabilities to employees | 1.385.529 | 1.269.044 |
| Current liabilities for income tax expense | 107.867 | 673.154 |
| Current liabilities for unpaid dividends | 0 | 35.981 |
| Other current liabilities | 50.236 | 51.786 |
| Total | 5.130.333 | 7.997.439 |

5.1.12 CURRENT LEASE LIABILITIES

in euros

| Current lease liabilities | 2019 | 2018 |
|--------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Current portion of liabilities to Republic of Slovenia for superficies (Note 5.1.3) | 448.518 | 448.518 |
| Current portion of liabilities under long-term lease agreement for warehousing and logistics facility (Note 5.1.3) | 137.293 | 134.295 |
| Total | 585.811 | 582.813 |

5.1.13 CURRENT ACCRUALS AND DEFERRED INCOME

in euros

| Current accruals and deferred income | 2019 | 2018 |
|-----------------------------------------------------|----------------|----------------|
| Liabilities from unrealised contractual obligations | 194.311 | 379.697 |
| Short-term deferred income | 494.292 | 391.641 |
| Total | 688.603 | 771.338 |

5.1.14 OFF-BALANCE-SHEET ASSETS AND LIABILITIES

| | in euros | |
|------------------------------------------|-----------|-----------|
| Off-balance-sheet assets and liabilities | 2019 | 2018 |
| Off-balance-sheet assets, from: | 5.913.743 | 3.775.160 |
| - Received quarantees | 5.614.788 | 3.375.838 |
| - Received declarations of surety | 156.484 | 298.968 |
| - Receivables from default interest | 142.471 | 100.354 |
| Off-balance-sheet liabilities, from: | 450.592 | 601.352 |
| - Declarations of surety given | 55.103 | 50.964 |
| - Quarantees given | 395.480 | 550.379 |

5.2 NOTES TO THE INCOME STATEMENT

5.2.1 OPERATING REVENUES

| | in euros | |
|------------------------------------------------------------|------------|------------|
| Operating revenues | 2019 | 2018 |
| Net sales revenue, from: | 45.320.631 | 46.258.280 |
| - Revenues from domestic sales of services | 25.125.731 | 29.741.387 |
| - Revenues from sales of services to the rest of the world | 20.167.588 | 16.500.600 |
| - Revenues from domestic sales of materials | 27.312 | 16.293 |
| Revenues from capitalised own services | 293.887 | 0 |
| Other operating revenues | 1.661.305 | 224.729 |
| - Revenues from compensation | 1.458.952 | 104.514 |
| - Other operating revenues | 202.353 | 120.215 |
| Total | 47.275.823 | 46.483.009 |

- Net sales revenue

Airport services and ground handling services accounted for 70.7% of net sales revenue, while commercial services accounted for 27.6%. The main categories of the latter are rental income (11% of total net sales revenue), revenue from parking fees (6.4%) and revenue from warehousing services (5.8%).

in euros

| Sales revenue under contracts with customers | Airport services and ground handling services | Commercial services | Total |
|----------------------------------------------------------------------------------|-----------------------------------------------|---------------------|------------|
| Receivables as at 1 Jan 2019 | 4.620.690 | 1.239.039 | 5.859.729 |
| Liabilities from unrealised contractual obligations as at 1 Jan 2019 | 379.697 | 0 | 379.697 |
| Revenues from contractual obligations charged in 2018 and realised in 2019 | 0 | 46.974 | 46.974 |
| Revenues from contractual obligations charged and realised in 2019 | 32.042.920 | 13.250.399 | 45.293.319 |
| Revenues from contractual obligations charged in 2019 and to be realised in 2020 | 0 | 83.154 | 83.154 |
| Liabilities from unrealised contractual obligations as at 31 Dec 2019 | 194.311 | 0 | 194.311 |
| Receivables as at 31 Dec 2019 | 2.696.143 | 1.167.505 | 3.863.649 |

- Revenues from capitalised own services

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

- Revenues from compensation

The majority of the revenue (EUR 1,350,000) relates to compensation on the basis of accounts receivable insurance with an insurer, which the company was entitled to following the bankruptcy of the national flag carrier (Note 5.1.5)

5.2.2 OPERATING EXPENSES

in euros

| Operating expenses | 2019 | 2018 |
|-------------------------------|------------|------------|
| Costs of materials | 1.844.881 | 1.995.245 |
| Cost of services | 9.114.502 | 9.189.320 |
| Labour costs | 16.220.463 | 15.310.378 |
| Depreciation and amortisation | 5.441.837 | 4.766.079 |
| Other operating expenses | 3.822.968 | 692.493 |
| Total | 36.444.651 | 31.953.515 |

| in euros | | |
|-----------------------------------------------------|-------------|-------------|
| Costs of materials | 2019 | 2018 |
| Electricity | 563.090 | 483.087 |
| Non-durables | 332.987 | 418.670 |
| Materials for current maintenance | 271.391 | 322.762 |
| Heating oil | 192.346 | 181.189 |
| Motor fuel | 181.530 | 226.268 |
| Small inventory (work clothes and protective means) | 113.605 | 205.019 |
| Other costs of materials | 189.932 | 158.250 |
| Total | 1.844.881 | 1.995.245 |

| in euros | | |
|---------------------------------------------------------------------|-------------|-------------|
| Cost of services | 2019 | 2018 |
| Security costs | 1.842.164 | 1.713.583 |
| Maintenance costs | 1.302.289 | 1.416.255 |
| Advertising costs | 866.187 | 1.156.081 |
| Intellectual services | 800.039 | 987.869 |
| Services related to the performance of the company's basic activity | 738.961 | 658.000 |
| Agency work | 708.675 | 214.967 |
| Services of the Civil Aviation Agency | 462.862 | 503.427 |
| Work through students service | 438.771 | 674.375 |
| Insurance premiums | 351.673 | 353.104 |
| Software services | 341.808 | 307.825 |
| Reimbursement of work-related expenses | 236.315 | 269.828 |
| Healthcare services | 208.751 | 229.453 |
| Utilities, water rates | 193.445 | 164.987 |
| Costs of catering services in business lounge | 163.900 | 165.217 |
| Other services | 458.662 | 374.349 |
| Total | 9.114.502 | 9.189.320 |

| in euros | | |
|----------------------------------------------------------------------|-------------|-------------|
| Labour costs | 2019 | 2018 |
| Wages | 11.424.158 | 11.080.430 |
| Social security costs | 1.950.381 | 1.886.348 |
| Annual leave payment | 858.663 | 556.156 |
| Reimbursement of meal expenses | 621.665 | 596.760 |
| Reimbursement of travel expenses | 560.437 | 524.943 |
| Supplementary pension insurance | 434.521 | 391.396 |
| Other labour costs | 144.748 | 89.827 |
| Already included costs of unused leave as at 31 December | 114.920 | 82.643 |
| Creation of provisions for termination benefits and jubilee benefits | 110.970 | 101.874 |
| Total | 16.220.463 | 15.310.377 |

| in euros | | |
|--------------------------------------------------|-------------|-------------|
| Depreciation and amortisation | 2019 | 2018 |
| Amortisation of intangible assets | 335.859 | 242.558 |
| Depreciation of property, plant and equipment | 4.721.303 | 4.129.498 |
| Amortisation/depreciation of right-of-use assets | 384.675 | 394.023 |
| Total | 5.441.837 | 4.766.079 |

| | in euros | |
|---------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Other operating expenses | 2019 | 2018 |
| Impairments of receivables (Note 5.1.5) | 3.355.442 | 1.800 |
| Compensation for the use of building right | 279.407 | 238.709 |
| Loss on elimination of non-current assets | 56.202 | 226.833 |
| Compensation | 16.277 | 12.419 |
| Loss on transfer of existing water and sewerage system to municipality of Cerklje | 0 | 39.235 |
| Impairments of non-current assets | 0 | 29.265 |
| Loss on disposal of part of aircraft hangar in conversion into warehousing and logistics facility for letting | 0 | 27.533 |
| Adjustment to value of inventories | 0 | 2.072 |
| Other expenses | 115.640 | 114.627 |
| Total | 3.822.968 | 692.493 |

5.2.3 FINANCE EXPENSES

| | in euros | |
|-------------------------------------------------------------------------------------------------------|-------------|-------------|
| Finance expenses | 2019 | 2018 |
| Interest expenses from superficies granted by Republic of Slovenia (Note 5.1.3) | 347.813 | 352.268 |
| Interest expenses under long-term lease agreement for warehousing and logistics facility (Note 5.1.3) | 48.997 | 26.147 |
| Other finance expenses | 30.577 | 27.618 |
| Total | 427.387 | 406.033 |

5.2.4 INCOME TAX EXPENSE AND DEFERRED TAX

| | in euros | |
|--------------------------------------------|-------------|-------------|
| Income tax expense and deferred tax | 2019 | 2018 |
| Income tax expense levied | 2.448.605 | 2.340.738 |
| Deferred tax | -701.280 | -34.117 |
| Total | 1.747.325 | 2.306.621 |

| | in euros | |
|--------------------------------------------------|-------------|-------------|
| Effective income tax expense rate | 2019 | 2018 |
| Pre-tax profit | 10.480.720 | 14.176.672 |
| Anticipated income tax expense (19%) | 1.991.337 | 2.693.568 |
| Increase/decrease in expenses | 842.832 | 163.829 |
| Tax relief | -310.437 | -518.388 |
| Transition to IFRS | -5.846 | 428 |
| Effect of implementation of IFRS 16 (Note 5.1.3) | -71.873 | 0 |
| Other adjustments | 2.592 | 1.301 |
| Income tax expense | 2.448.605 | 2.340.738 |
| Effective tax rate | 23,4% | 16,5% |

The rise in the effective tax rate is the result of the creation of impairments in 2019, which were not tax-deductible at the time of creation (see note 5.1.5).

| in euros | | |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|
| Effect of deferred tax on performance | 2019 | 2018 |
| Change in deferred tax assets from impairment of financial assets | 10.756 | 59 |
| Change in deferred tax assets from impairment of trade receivables | -635.471 | -335 |
| Change in deferred tax assets from provisions for jubilee benefits and employee termination benefits | -19.920 | -1.036 |
| Change in deferred tax assets from amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO | -56.645 | -32.806 |
| Total | -701.280 | -34.118 |

5.2.5 OTHER COMPREHENSIVE INCOME FOR THE PERIOD

| in euros | | |
|-----------------------------------------------------------------------------------------------------------------|-------------------|----------------------------|
| Statement of other comprehensive income | 1.–12.2019 | 1.–12.2018 restated |
| Net profit for the period | 8.733.395 | 11.870.051 |
| Items that could subsequently be reclassified to profit or loss | 0 | -3.098 |
| Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets | 0 | -3.826 |
| - gain/(loss) recognised as revaluation surplus | 0 | -3.029 |
| - transfer of gain/(loss) from revaluation surplus to profit or loss | 0 | -797 |
| Corporate income tax in connection with items that could subsequently be reclassified to profit or loss | 0 | 728 |
| - in connection with gain/(loss) recognised as revaluation surplus | 0 | 576 |
| - in connection with transfer of gain/(loss) from revaluation surplus to profit or loss | 0 | 152 |
| Items that subsequently will not be reclassified to profit or loss | -157.388 | 69.631 |
| Unrealised actuarial profit/loss from post-employment benefits | -168.012 | 67.299 |
| Realised actuarial loss (after payment of post-employment benefits) | 10.624 | 2.332 |
| Total other comprehensive income for the period | -157.388 | 66.533 |
| Total comprehensive income for the period | 8.576.007 | 11.936.584 |

5.3 NOTES TO THE CASH FLOW STATEMENT

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

| | | in euros | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-----------------|
| Material adjustments taken into account in the preparation of the cash flow statement | 2019 | 2018 | restated |
| Correction of revision to operating receivables and operating liabilities for reason of offset of receivables and liabilities | 1.233.902 | 889.231 | |
| Correction of revision to operating liabilities and outflows for acquisition of property, plant and equipment for reason of increase in trade payables for property, plant and equipment | 1.722.457 | 1.965.429 | |
| Increase in non-current lease liabilities for reason of increase in general superficies | 0 | 687.033 | |
| Inflows from sale of property, plant and equipment | 725.774 | 328.335 | |

5.4 FINANCIAL RISKS

Credit risk

| | | in euros | |
|--------------------------------------------------|-------------------|-------------------|--|
| Company's maximum exposure to credit risk | 2019 | 2018 | |
| Current financial assets | 0 | 18 | |
| Non-current operating receivables | 59.873 | 59.873 | |
| Current operating receivables | 4.271.876 | 5.286.689 | |
| Cash and cash equivalents | 27.429.807 | 25.792.606 | |
| Total | 31.761.556 | 31.139.186 | |

| | | in euros | | | |
|-------------------------------------------------------------------|---------------------------|---------------------------------|--------------------------|--------------|--|
| Structure of financial assets by maturity as at 31.12.2019 | Up to three months | Three months to one year | One to five years | Total | |
| Current operating receivables (Note 5.1.4) | 4.072.896 | 198.980 | 0 | 4.271.876 | |

| | | in euros | | | |
|-------------------------------------------------------------------|---------------------------|---------------------------------|--------------------------|--------------|--|
| Structure of financial assets by maturity as at 31.12.2018 | Up to three months | Three months to one year | One to five years | Total | |
| Current financial assets | 18 | 0 | 0 | 18 | |
| Current operating receivables | 5.278.972 | 7.717 | 0 | 5.286.689 | |

Liquidity risk

Liquidity risk is low, as the company has no debt and is generating a stable cash flow from operating activities.

| | | in euros | | | | |
|----------------------------------------------------------------------|---------------------------|---------------------------------|--------------------------|------------------------|--------------|--|
| Structure of liabilities by maturity as at 31.12.2019 | Up to three months | Three months to one year | One to five years | Over five years | Total | |
| Current operating liabilities (Note 5.1.11) | 4.923.282 | 207.051 | 0 | 0 | 5.130.333 | |
| Current lease liabilities (Note 5.1.12) | 482.608 | 103.203 | 0 | 0 | 585.811 | |
| Non-current operating liabilities (Note 5.1.9) | 0 | 37.136 | 434.190 | 63.372 | 534.698 | |
| Non-current lease liabilities (Note 5.1.10) | 0 | 0 | 1.034.013 | 8.291.422 | 9.325.435 | |
| Provisions and non-current accruals and deferred income (Note 5.1.8) | 0 | 123.737 | 676.645 | 1.443.630 | 2.244.012 | |

in euros

| Structure of liabilities by maturity as at 31.12.2018 | Up to three months | Three months to one year | One to five years | Over five years | Total |
|---------------------------------------------------------|--------------------|--------------------------|-------------------|-----------------|-----------|
| Current operating liabilities | 7.402.668 | 594.771 | 0 | 0 | 7.997.439 |
| Current lease liabilities | 481.972 | 100.841 | 0 | 0 | 582.813 |
| Non-current operating liabilities | 0 | 0 | 452.664 | 66.329 | 518.993 |
| Non-current lease liabilities | 0 | 0 | 1.000.734 | 8.562.699 | 9.563.433 |
| Provisions and non-current accruals and deferred income | 0 | 166.441 | 480.684 | 1.138.210 | 1.785.335 |

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 are measured at historical cost or amortised cost, which is assumed to be the same as the fair value of the assets or liabilities (classified as Level 2 in the fair value hierarchy).

in euros

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

in euros

| Classification of financial instruments at fair value as at 31 December 2018 | Level 1 | Level 2 | Total |
|------------------------------------------------------------------------------|---------|------------|------------|
| Non-current operating receivables | 0 | 59.873 | 59.873 |
| Current financial assets | 18 | 0 | 18 |
| Current operating receivables | 0 | 5.286.689 | 5.286.689 |
| Cash and cash equivalents | 0 | 25.792.606 | 25.792.606 |
| Non-current operating liabilities | 0 | 518.993 | 518.993 |
| Non-current lease liabilities | 0 | 9.563.433 | 9.563.433 |
| Current operating liabilities | 0 | 7.997.439 | 7.997.439 |
| Current lease liabilities | 0 | 582.813 | 582.813 |

5.5 OTHER EXPLANATORY NOTES

5.5.1 SIGNIFICANT EVENTS AFTER THE END OF 2019

MARCH 2020

The government prohibited air transport in Slovenia in order to curb the spread of coronavirus. All scheduled flights to and from Ljubljana Jože Pučnik Airport were suspended as a result. The suspension does not cover cargo transport, special air transport without passengers, and flights by government planes for humanitarian or medical purposes.

Given the great uncertainty of the situation, we cannot predict the exact day that the airport will reopen to passenger traffic, as it depends on the effectiveness of measures to curb the spread of the virus. At the company we reacted immediately to the partial closure of airport, and placed more than half of our staff on furlough. We have drawn up a number of different scenarios that envisage various dates for the reopening of the airport. The more pessimistic scenario assumes that the airport will reopen on 1 July, and that passenger numbers will reach 698,000 this year. We are currently in a strong investment cycle, as we are in the middle of building the new passenger terminal, which needs to be completed by June 2021, when Slovenia's presidency of the Council of the European Union begins. For the moment we have decided to push ahead with the construction of the terminal, but we will decide whether to suspend construction according to how events develop on a moment-to-moment basis. Irrespective of the decline in passenger numbers and our heavy investment spending (we are earmarking more than EUR 19 million for investment between March and December 2020), we will have no liquidity difficulties this year. According to projections, we have sufficient cash at our disposal until February 2021. Even if traffic develops according to the pessimistic scenario, we will take out a long-term loan in the early part of next year to complete the construction of the terminal. Given that we are currently debt-free, we anticipate no problems in raising a long-term loan.

Even though passenger traffic was suspended on 17 March, we are not expecting any receivables to be written off. Receivables from airlines are insured with an insurer. For our customers who have requested an extension of payment terms, we have been able to extend their payment terms to 60 days for the period to 31 May 2020.

5.5.2 RELATIONS WITH AFFILIATES

The company's affiliates are all the companies in the Fraport Group. In 2019 certain transactions, shown in tables below, were executed with:

- controlling company Fraport AG, Germany and
- Fraport Twin Star Management AD, Bulgaria, company in Fraport AG group.

| Transactions with the controlling company Fraport AG, Germany | in euros |
|-----------------------------------------------------------------------------|------------|
| Operating revenues in 2019 | 1.084 |
| Operating expenses in 2019 | 488.650 |
| Acquisition of non-current assets in 2019 | 23.700 |
| Short-term deposit, disclosed in cash and cash equivalents as at 31.12.2019 | 25.500.000 |
| Liabilities as at 31.12.2019 | 32.000 |

| in euros | |
|--------------------------------------------------------------------|-------------|
| Transactions with Fraport Twin Star Management AD, Bulgaria | 2019 |
| Operating revenues | 15.000 |
| Operating expenses | 9.438 |

The company disclosed no liabilities or receivables vis-à-vis Fraport Twin Star Management AG as at 31 December 2019.

5.5.3 REMUNERATION OF MANAGEMENT IN 2019

The total remuneration of the managing director, the procurator and the director of the Aviation Academy, who are the staff members employed on contracts to which the tariff schedule of the collective agreement does not apply, amounted to EUR 480,633 in 2019, including gross salaries, reimbursement of food expenses, leave allowance and fringe benefits.

The company did not approve any loans or advances or provide any guarantees in 2019 for the senior management or the company's other employees to whom the tariff schedule of the collective agreement does not apply, nor did it disclose any receivables or liabilities vis-à-vis them as at 31 December 2019, other than salaries for December, which were paid in January 2020.

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

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

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

5.5.5 TOTAL PAYMENTS TO AUDITORS

Operating expenses for services provided by audit firm PwC, podjetje za revizijo in druge finančno računovodske storitve, d.o.o. for 2019 in the amount of EUR 29,300 relate to:

- auditing services (EUR 28,300, of which EUR 21,100 was paid in 2019, while the remaining will be paid in 2020), and
- assurance services (EUR 1,000 paid in 2019).