Aerodrom Ljubljana

Aerodrom Ljubljana, d.o.o.

ANNUAL REPORT 2016

March 2017

CONTENTS

A WORD FROM THE MANAGING DIRECTOR

Additions to the destination map and new projects

Aerodrom Ljubljana performed well last year, although we faced a slight decline in traffic, with increased complexity in work processes caused by intensive traffic peaks and greater expectations on the part of users. These difficulties were managed successfully, thanks to the knowledge, experience, commitment and teamwork of Aerodrom Ljubljana staff. A major feature of the entire year was the integration with the Fraport Group, which is set to continue in 2017.

The destination map was strengthened in both the summer and winter timetables. A total of 29 destinations in 22 countries were served by more than 220 scheduled flights a week direct from Ljubljana in the summer, while 22 destinations in 18 countries were served by more than 180 scheduled flights a week in the winter. New airlines serving the airport were Poland's LOT and Greece's Aegean Airlines, while low-cost airlines also expanded their services: easyJet increased its weekly flight frequency, and added a London Gatwick service alongside its flights to London Stansted. Dutch low-cost airline Transavia has already announced that it will operate an Amsterdam service from the spring, and further announcements of new services are expected shortly.

Although the destination map was strengthened, total passenger numbers were down slightly on the previous year. Passenger numbers in public transport amounted to 1,404,831 in 2016, down 2.3% on the previous year, while the number of aircraft movements was comparable to the previous year at 23,181. Air cargo tonnage was up 2.4% at 10,370 tonnes, while total cargo tonnage was up 5.4% at 19,580 tonnes. The slight decline in last year's traffic was to a lesser extent attributable to the political and security-related uncertainty in certain formerly popular charter destinations such as North Africa and Turkey, and was primarily attributable to the restructuring of the domestic airline, which recorded a significant decline in passenger numbers, particularly in the highest-traffic months. The foreign airlines, the low-cost airlines in particular, saw a consistent increase in traffic last year: it was up 13.3% overall. Towards the end of the year the trend also turned positive for the domestic airline, which still carries the majority of passengers at Ljubljana Jože Pučnik Airport.

The financial results present a more favourable picture than the traffic figures. Operating revenues were up 3.4% on 2015 at EUR 36,068 thousand. Operating expenses were up slightly on the previous year, but were in line with the forecast in the financial plan. EBIT was up 9.1% on the previous year at EUR 9,978 thousand, while net profit was up 7.2% at EUR 9,047 thousand.

The relocation of a 2,350-metre section of the airport boundary road represents an important step in the airport's further development. EUR 2.6 million of investment is in progress, 34.4% of which will be financed by Aerodrom Ljubljana. The relocation of the road is of vital importance for the airport's further development, which features the projected construction of the Aeropolis airport city on an additional 35 hectares of land in the coming years.

One highlight of the new projects is the Fraport Aviation Academy, the main purpose of which is to cater to the training requirements of airports in the Fraport Group and the market at large. The academy will launch in practical terms in 2017, when construction work will begin on the training centre, projected to cost EUR 3.5 million. Training will be provided for specific aviation professions, and in skills that cannot be obtained in formal education.

Even as flight services are expanded, we pursue sustainable development and quality of service: we again passed our assessments of the ISO 9001 and ISO 14001 standards, and saw the renewal of our Airport Carbon Accreditation certification, the sole institutionally recognised standard for airport carbon footprint management. We have been working to reduce our carbon footprint for several years now, and aim to achieve carbon neutrality by 2020. One more step was taken in October with the opening of the electric vehicle sharing station in collaboration with AvantCar. This is helping to connect Slovenia's capital with airport infrastructure and the rest of the world on an emissions-free basis. Our environmental and sustainable development work was recognised at the end of the year in the Finance Environmental Awards, with the title of environment-friendly company.

The key challenges in 2017 certainly include further growth in traffic, which will be aided by one of the key projects successfully completed last year: the introduction of an advanced, flexible tariff system that provides for greater competitiveness and better incentives for attracting new airlines and expanding the services of existing airlines. The growth in traffic, and in particular its changing distribution with increased intensity and congestion in peak periods, is forcing us to upgrade our passenger infrastructure. The first concrete steps in this direction will be taken this year, which will allow us to respond to the improvements made recently by our competitor airports in the region. An important role in this process will also be played by the comprehensive overhaul of the airport information system.

Construction of the airport ring road will be completed by the end of the year, which will allow for the further development and expansion of complementary activities. The target is to attract the first investor for the Aeropolis business and logistics zone.

Integration into the Fraport Group will continue in parallel. The plan includes completion of the overhaul of the wage and job description system, which will increase our competitiveness in the labour market. The renaming of the company from Aerodrom Ljubljana d.o.o. to Fraport Slovenija d.o.o. is expected in the spring, together with a switch to the branding and logos used by the parent company. This will anchor the company that operates Ljubljana Jože Pučnik Airport more firmly and homogeneously in the group, and will raise its profile in the international environment.

Zmago Skobir

Managing Director

Skobir

BUSINESS REPORT

1 INTRODUCTION

1.1 HIGHLIGHTS OF OPERATIONS

	1.-12./16	1.-12./15	Index 16/15
TRAFFIC			
Number of passengers	1,411,476	1,464,579	96.4
Aircraft movements	32,701	32,893	99.4
Cargo (in tonnes)	19,802	18,852	105.0
ANALYSIS OF PERFORMANCE			
Operating revenues - in thousand euros	36,069	34,899	103.4
Net sales revenue - in thousand euros	35,991	34,816	103.4
Operating expenses - in thousand euros	26,090	25,757	101.3
EBITDA - operating profit before interest, taxes and depreciation/amortization - in thousand euros	14,053	13,101	107.3
EBIT - operating profit - in thousand euros	9,978	9,142	109.1
Net finance income/expenses - in thousand euros	634	267	237.3
Pre-tax profit - in thousand euros	10,612	9,409	112.8
Net profit - in thousand euros	9,048	8,442	107.2
Total comprehensive income for the period - in thousand euros	8,647	8,569	100.9
Value added - in thousand euros (operating revenues - costs of materials and services - other operating expenses excluding revaluation operating expenses and provisions)	26,760	26,394	101.4
BALANCE SHEET			
Assets as at 31.12.2016/31.12.2015 - in thousand euros	116,810	112,614	103.7
Equity as at 31.12.2016/31.12.2015 - in thousand euros	102,385	100,111	102.3
EMPLOYEES			
No. of employees as at 31 December	399	397	100.5
Average no. of employees based on hours worked	394.6	397.4	99.3
INDICATORS			
EBITDA margin	0.39	0.38	103.8
EBIT margin	0.28	0.26	105.6
Value added per employee - in euros (value added/average no. of employees based on hours worked)	67,816	66,408	102.1
Net profit per employee - in euros (net profit/average no. of employees based on hours worked)	22,929	21,239	108.0
Net ROE - in % (net profit/average equity excluding net profit for the period)	9.35%	9.15%	102.2
Net ROA - in % (net profit/average assets)	7.89%	7.72%	102.2

1.2 SIGNIFICANT EVENTS

1.2.1 SIGNIFICANT EVENTS IN 2016

- On 19 January 2016, following successful negotiations, in conjunction with the BAMC, SDH concluded a contract for the sale of a 91.58% holding in Adria Airways d.d., on behalf of the state and on its own behalf.
- On 1 March Poland's LOT began operating six flights a week between Ljubljana and Warsaw.
- Aerodrom Ljubljana's Business Advisory Board held its constitutive meeting on 23 May. Its key tasks are advising and providing expert support to the senior management, the Investors Committee and the owner on matters of importance to the company's development, key economic subjects, the aviation and airport sector, and other significant challenges to the company's business policy.
- On 26 May low-cost airline easyJet increased its service level from seven to nine flights a week.
- On 31 May Turkish Airlines expanded its service to Istanbul from ten to 14 flights a week.
- Aegean Airlines launched a twice-weekly service to Athens from Ljubljana on 15 June. It operated the service until the end of September.
- Dr Babett Stapel, director of finance and commercial, was appointed as the company's procurator on 1 August 2016.
- An agreement was signed on 4 August between the Slovenian Infrastructure Agency, Aerodrom Ljubljana and the Municipality of Cerklje na Gorenjskem as investors and SGP Pomgrad as the contractor for the relocation of the airport boundary road, which will allow for the further development and expansion of the airport.
- Dutch low-cost airline Transavia announced on 27 September that it would launch an Amsterdam service from Ljubljana with four flights a week in the 2017 summer timetable.
- The Fraport Aviation Academy was established on 7 November; its main purpose is to cater to the training requirements of airports in the Fraport Group and the market at large.
- An agreement was signed on 24 November with TNT on the refitting of the technical hangar for the purpose of letting the space to the aforementioned business partner.
- Consultations with airport users regarding the new tariff system were successfully completed on 25 November. The user committee approved the new tariff system, which provides for improved competitiveness and better incentives for attracting new airlines and routes.
- British low-cost airline easyJet launched a service to London Gatwick on 5 December, adding four flights a week to complement its well-established service to London Stansted.

1.2.2 SIGNIFICANT EVENTS AFTER THE END OF 2016

- An agreement was signed on 13 January 2017 for the purchase of an aircraft garaging hangar for general aviation.

1.3 PRESENTATION OF AERODROM LJUBLJANA, D.O.O.

Aerodrom Ljubljana is the operator and manager of Slovenia's main airport. 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. In light of its location, and the motorway network, the airport is accessible not only from Slovenia, but also from neighbouring regions. The airport's catchment area encompasses Slovenia, the southern part of Austria, the north-eastern part of Italy and part of Croatia, with approximately four million inhabitants in the aforementioned region. The route map extends from the main hubs in western Europe to destinations in the Balkan peninsula. In addition to its central national role, the airport is also a regional airport and a hub for the Balkans, both in passenger transport and in express freight. With a 3,300 metre runway and advanced equipment, the airport accommodates Category ICAO IIIb landings in conditions of reduced visibility. Aerodrom Ljubljana also has sufficient land at its disposal for further expansion of the airport, and the development of various business activities.

1.3.1 SIGNIFICANT INFORMATION

Firm:	Aerodrom Ljubljana, d.o.o.
Registered office:	Zg. Brnik 130a, 4210 Brnik-aerodrom, Slovenija
	Phone: +386 (0)4 206 10 00
	email: info@lju-airport.si, http://www.lju-airport.si
Activity code:	52.230 – other auxiliary activities in air transport
Size:	large company according to the Companies Act
Management of the company:	Zmago Skobir, managing director
Procurators:	Robert Gradišar, COO
	Babett Stapel, CFO/CCO
Number and date of entry of conversion to limited liability company in companies register:	Entry 2015/15628 of 14 April 2015
Registration number:	5142768000
VAT ID no.:	SI12574856
Nominal capital as at 31 December 2016:	EUR 15,842,626.44
Sole member:	Fraport AG Frankfurt Airport Services Worldwide
Transaction accounts:	UniCredit Banka Slovenija d.d.: SI56 2900 0000 3291 455
	Nova ljubljanska banka, d.d. Ljubljana: SI56 0292 1001 4174 945
Financial year:	calendar year
Number of employees as at 31.12.2016:	399

1.3.2 ACTIVITIES

The company's principal lines of business encompass the management and operation of the airport, the provision of ground handling services for aircraft, passengers and cargo, and the provision of various commercial services.

1.3.3 MISSION, VISION AND STRATEGIC OBJECTIVES

Mission statement

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

Vision

Our vision is to be:

1. Efficient and prime-quality regional gateway.
2. Exciting retail experience platform.
3. Major air cargo airport in the region.
4. Leading skills academy of aviation industry.

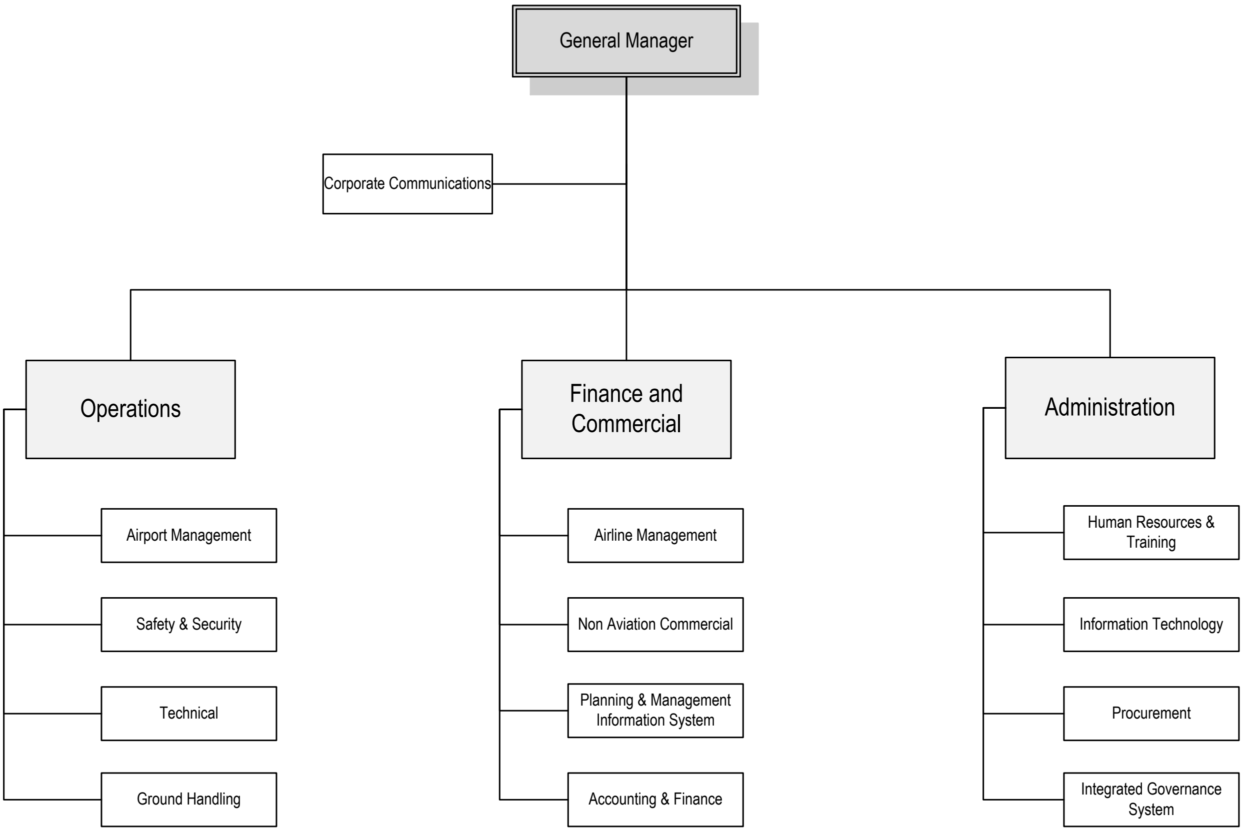
Strategic objectives of the company

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

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

1.3.4 ORGANISATION

Company structure of Aerodrom Ljubljana, d.o.o. effective from 1 September 2016



1.3.5 DATA ON COMPANIES UNDER THE MAJORITY OWNERSHIP OF AERODROM LJUBLJANA, D.O.O.

Company	Address	Ownership interest in % 31.12.2016	Ownership interest in % 31.12.2015	Book value of the investment in thousand euros 31.12.2016	Book value of the investment in thousand euros 31.12.2015
Aerodrom Portorož, d.o.o.*	Sečovlje 19, Sečovlje	30.46	30.46	0	0

* Investment stood at EUR 1,251,878 in nominal terms, and an adjustment for the entire amount was created in 2009.

For more about investments in the aforementioned companies, see points 4.3, 5.1.3 and 5.4.2 of the Financial Report.

1.3.6 INTERNATIONAL ACTIVITIES

In 2016 the company continued its activities as a member of various expert groups operating under the aegis of ACI Europe. The advisor to the Management Board is a member of the Advisory Group within the framework of the Policy Committee, whose role is drawing up strategic guidelines for the management of ACI Europe, and coordinating and liaising between other committees and working groups. We remain members of the Aviation Security Committee, which deals with the issue of airport security and proposes new solutions in this area. We continued our membership in the Regional Airports' Forum, an interest group that draws up proposals for small and medium-sized airports, and in the ACI Communication Group, which brings together communications experts at European airports. We are also a member of the Digital Communications Forum.

1.4 CORPORATE GOVERNANCE STATEMENT

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

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

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

The company does not pursue a specific diversity policy.

1.4.1 MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND OF RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCEDURE

In its operations Aerodrom Ljubljana d.o.o. has a diverse mechanism of internal controls and risk management in connection with the financial reporting process. The aim of the system of internal controls is to comply with applicable legislation and regulations, to meet the company's strategic objectives and to implement its strategy, to reduce risks in connection with the company's operations, and to ensure the accuracy, completeness and reliability of financial reporting. The aforementioned system was adapted to the group's system of internal controls in 2016. In parallel the company continued the re-engineering of business processes, which is tailored to its new organisational scheme. All contacts between various processes were also identified and defined. Each business process also includes reference documentation as the basis for its implementation, to provide for comprehensive management of the processes and their corresponding risks and internal controls. The company has made a start on defining efficiency and performance indicators, and methods for controlling and measuring the effectiveness of individual processes. A systemic approach was taken to the risks that can arise in individual activities within processes, and to the internal controls for managing these risks.

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

Internal auditing

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

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

External auditing

On the basis of a resolution of the Investors Committee passed on 13 April 2016, the company's financial statements for 2016 were audited by Deloitte revizija d.o.o., Ljubljana .

1.4.2 COMPOSITION AND FUNCTIONING OF MANAGEMENT AND SUPERVISORY BODIES

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

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

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

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

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

Investors Committee

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

The Investors Committee consists of three members appointed by the sole member.

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

In early 2016 a change was made to the Investors Committee: Gudrun Telöken was replaced by Christoph Nanke, who was elected president of the Investors Committee at the meeting of 13 April 2016.

Management of the company

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

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

Business Advisory Board

Aerodrom Ljubljana's Business Advisory Board held its constitutive meeting on 23 May 2016. Its key tasks are advising and providing expert support to the senior management, the Investors Committee and the owner on matters of importance to the company's development, key economic subjects, the aviation and airport sector, and other significant challenges to the company's business policy. The Business Advisory Board held one other meeting in 2016, at which it discussed the company's strategy.

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

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

2 COMPANY OPERATIONS IN 2016 AND PLANS FOR 2017

2.1 SITUATION IN EUROPEAN AVIATION

According to European Commission figures, the aviation sector employs almost two million people in the EU, and contributes EUR 110 billion to the European economy. Aviation is a powerful driver of economic growth, job creation, trade and mobility in the EU, and plays a key role in the EU economy. Over the last 20 years the liberalisation of the internal market in air transport by the EU and the significant growth in demand for air transport in the EU and around the world have led to significant development of the European aviation sector.

Airport infrastructure is the underlying basis for ensuring connectivity, and thereby realising the European Commission's aviation strategy. Airports cover the related costs by charging fees to airlines. It is therefore of vital importance that legislation in this area keeps pace with market development, limits the interventions of the legislator to the minimum possible degree, and ensures the realisation of the long-term interests of the end users: EU citizens. Airports are exposed to constant pressure from airlines in this area. However, limited airport capacity is forcing airlines to charge higher ticket prices that they otherwise would on flights with the highest load factors. This is leading to a contradiction between regulated prices for airport services and full price liberalisation in transport.

Certain airports were the target of terrorist attacks last year. In light of this, and the general deterioration in the security situation in Europe, certain measures (additional inspections and controls of passengers) have been introduced, causing additional costs for airports and increasing passenger dissatisfaction.

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

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

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

According to ACI Europe figures, passenger transport at European airports increased by 5.1% in 2016. By contrast, cargo tonnage in Europe increased by just 4.1% as the number of aircraft movements rose by 3.2%. This growth was driven by low-cost airlines, who have begun expanding their established business models into links with network airlines, and are moving into trans-Atlantic routes. This trend seems likely to continue in 2017. Air transport is thus exposed to the risk of rising fuel prices. Potential terrorist threats cannot be excluded, while Brexit is a new factor in global political instability. All of these risks are inherent in global trends, which could alter airport performance over the long term.

2.2 ECONOMIC SITUATION IN SLOVENIA

In its winter forecasts, the European Commission, like the IMAD, is forecasting a continuation of broadly based economic growth in Slovenia this year and next year. The key engines of growth remain exports and private consumption, but investment is also strengthening. This is being reflected on the labour market, where like the IMAD the European Commission expects a further improvement. GDP growth is expected to remain moderate across the euro area. The risks accompanying the present forecast primarily relate to the high degree of political uncertainty in the international environment.

The European Commission is forecasting economic growth of 3.0% for Slovenia for this year and next year. As a result of favourable developments on the labour market and the consequent strengthening of private consumption, economic growth this year and next year will be slightly higher than forecast in the autumn. Like the IMAD, the European Commission is also forecasting that exports will remain the key driver of economic growth, and that as employment growth and wage growth strengthen so too will household consumption (source: IMAD, February 2017).

2.3 MARKET POSITION AND MARKETING ACTIVITIES OF THE COMPANY

2.3.1 MARKET POSITION

Aerodrom Ljubljana is operating in an extremely competitive environment. Good road links allow passengers from across the region to constantly and quickly tailor their travel habits and their choice of airline and airport to the prices of air tickets. Neighbouring airports' ambitions and achievements in attracting intercontinental services have an additional impact on the consumer habits of passengers and airlines when they are assessing passenger potential and deciding on launching new routes to the region. At the same time Slovenia does not yet have a proper tourism development strategy that would strengthen and clearly define the roles, level and method of funding for the promotion of the country as a tourist destination.

In light of the aforementioned situation, Aerodrom Ljubljana is endeavouring now more than ever to appeal to all segments of passengers and airlines, irrespective of their business model.

2.3.2 TRAFFIC AND AIRPORT SERVICES

A major feature of Aerodrom Ljubljana's market position in 2016 was changes to the operations of the domestic airline. While foreign airlines saw an increase of 13.3% in passenger numbers, the domestic airline recorded a decline of 10.3%. This gap is attributable to the change in ownership of Adria Airways and the resulting decline in flight volume and withdrawal of certain routes, and to foreign airlines' favourable assessment of passenger potential in the Slovenian market. Because the domestic airline still accounts for a significant proportion of traffic at Ljubljana Jože Pučnik Airport, its decline also brought a decline in total passenger numbers at the airport, in the amount of 3.6%. Even in 2015 Ljubljana was the fastest-growing airport in the region, having overtaken Zagreb and Venice Marco Polo in percentage terms. Given the trend in passenger numbers at the end of 2016, the expectation is that Adria Airways will consolidate its market position in the period ahead and will stabilise its network and timetable of flights, for which reason there will no longer be such falling numbers at a time when foreign airlines are recording an increase in traffic. The growth recorded by foreign airlines is primarily not the result of their competition on the routes that are also served by Adria Airways. The latter saw a decline of 5.7% overall in the number of flights, while foreign airlines saw an increase of 12% in the number of flights.

The destination map was strengthened in both the summer and winter timetables. A total of 29 destinations in 22 countries were served by more than 220 scheduled flights a week direct from Ljubljana in the summer, while 22 destinations in 18 countries were served by more than 180 scheduled flights a week in the winter. New airlines serving the airport were Poland's LOT and Greece's Aegean Airlines, while low-cost airlines also expanded their services: easyJet increased its weekly flight frequency, and added four flights a week to London Gatwick to its London Stansted service. Turkish Airlines continued to increase its number of flights, and served Istanbul twice daily from Ljubljana. Four direct charter flights were again received from Japan, operated by All Nippon Airlines on this occasion.

		Realisation		Plan	Index		Proportion (in %)		
		1.-12./16	1.-12./15	Pl16	R16/R15	R16/Pl16	1.-12./16	1.-12./15	Pl16
1	**NO OF PASSENGERS**	**1,411,476**	**1,464,579**	**1,516,428**	**96.4**	**93.1**	**100.0**	**100.0**	**100.0**
1.1	PUBLIC TRANSPORT	1,404,831	1,438,304	1,509,600	97.7	93.1	99.5	98.2	99.5
1.1.1	Domestic carriers	853,534	951,563	988,274	89.7	86.4	60.5	65.0	65.2
1.1.2	Foreign carriers	551,297	486,741	521,326	113.3	105.7	39.1	33.2	34.4
1.2	GENERAL AVIATION	3,811	3,639	3,828	104.7	99.6	0.3	0.2	0.3
1.3	OTHER	2,834	22,636	3,000	12.5	94.5	0.2	1.5	0.2
2	**AIRCRAFT MOVEMENTS**	**32,701**	**32,893**	**33,477**	**99.4**	**97.7**	**100.0**	**100.0**	**100.0**
2.1	PUBLIC TRANSPORT	23,181	23,214	24,203	99.9	95.8	70.9	70.6	72.3
2.1.1	Domestic carriers	15,069	15,973	16,282	94.3	92.6	46.1	48.6	48.6
2.1.2	Foreign carriers	8,112	7,241	7,921	112.0	102.4	24.8	22.0	23.7
2.2	GENERAL AVIATION	8,300	8,443	8,452	98.3	98.2	25.4	25.7	25.2
2.3	OTHER	1,220	1,236	822	98.7	148.4	3.7	3.8	2.5
3	**CARGO TRANSPORT** (in tonnes)	**19,802**	**18,852**	**18,614**	**105.0**	**106.4**	**100.0**	**100.0**	**100.0**
3.1	Aircraft	9,093	8,943	8,657	101.7	105.0	45.9	47.4	46.5
3.2	Truck	9,202	8,414	8,488	109.4	108.4	46.5	44.6	45.6
3.3	Mail	1,286	1,190	1,145	108.1	112.3	6.5	6.3	6.2
3.4	Other	221	305	323	72.5	68.3	1.1	1.6	1.7

Cargo tonnage in 2016 was up 5% on the previous year, as aircraft tonnage increased by 1.7% and truck tonnage increased by 9.4%. Alongside an increase in DHL's capacity with the occasional operation of an A300, the increase in cargo tonnage was also attributable to an increase in cargo carried on passenger services.

Aerodrom Ljubljana's market activities were also a factor in the increase in foreign airlines' traffic. In joint advertising campaigns with airlines the company succeeded in convincing passengers to choose Ljubljana Jože Pučnik Airport for their journeys. As in previous years, the company again advertised in the brochures of its partner tourism agencies in 2016.

Commercial activities

A significant portion of the company's marketing activities in 2016 were devoted to commercial services. A new long-term contract was signed with the current supplier of duty-free travel value goods, the cooperation with taxi and shuttle bus providers was redefined and contractually refined, a car sharing agreement was reached, and part of the outside car park was let for commercial activities. An agreement was reached with an express courier for the rental of the storage facility, where it will be able to carry out its comprehensive logistics at the airport. An agreement was signed with a catering provider on the creation of a Take Away Corner, thereby improving the catering services for passengers.

2.3.3 BETTER SURVEYS, BETTER SERVICES

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

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

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

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

2.3.4 PLANS FOR 2017

The traffic plan for 2017 has been drawn up on the basis of the airlines' announced winter timetables and the 2017 summer timetables.

The fall in the domestic airline's passenger numbers is expected to slow in 2017, while the foreign airlines are forecast to record a rise of 10%. The largest factors in the latter will be a rise in passenger numbers between Ljubljana and London, easyJet having added four flights a week to London Gatwick in December 2016, and the arrival of new low-cost airline Transavia, which will commence flying between Ljubljana and Amsterdam in April. Activities to attract new airlines and new destinations were carried out with the aim of improving air access to Slovenia and expanding the set of destinations available on direct routes.

Following a decision to renovate and expand the passenger terminal, the company will take action to increase revenues from commercial services, both to improve the services and shopping experience available to passengers, and to expand commercial floor space as envisaged.

We intend to maintain the scope of our market communications via local media and the internet, and will make greater use of the innovative marketing channels that the company operates (online social networks). Much of the marketing of our services will still be undertaken via direct contacts with existing and potential business partners. We will also work with tour operators to support holiday travel, and by advertising in their brochures we will strengthen the synergies to raise the profile of Ljubljana Jože Pučnik Airport.

With regard to commercial services we will continue our existing sales strategy and pricing policy, tailored to the location and the services that we provide. Capacity and the range of services will be tailored to the development of traffic, and will track demand from our business partners. With the improvement in the economic situation in the environment where the company operates, and a proactive approach, we will continue meeting our objectives and our development targets.

2.4 ANALYSIS OF PERFORMANCE

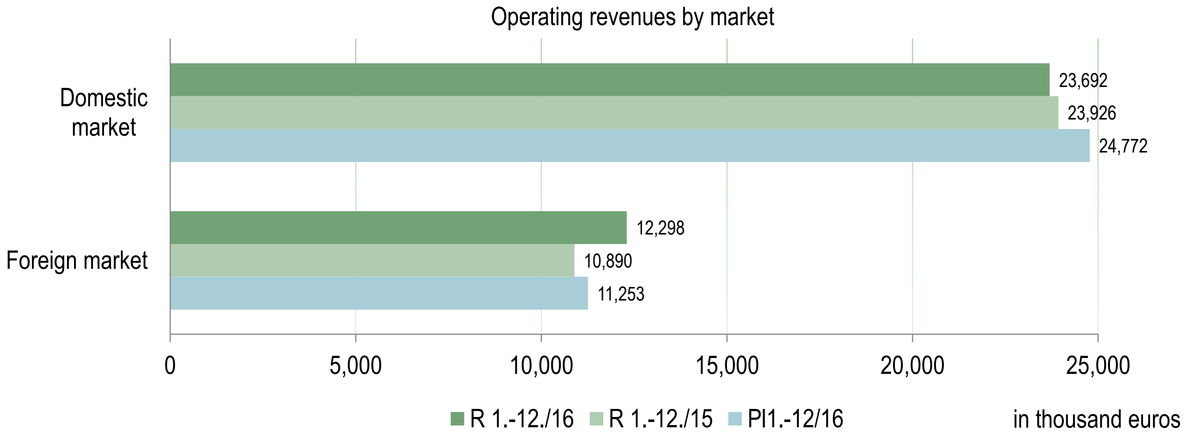
2.4.1 OPERATING PROFIT

	in euros			Index		Proportion		
	R1.–12./16	R1.–12./15	Pl2016	R16/R15	R16/Pl16	R1.–12./16	R1.–12./15	Pl2016
Operating revenues	**36,068,568**	**34,899,065**	**36,028,049**	**103.4**	**100.1**	**100.0**	**100.0**	**100.0**
Net sales revenue	35,990,655	34,816,006	36,025,221	103.4	99.9	99.8	99.8	100.0
Other operating revenues	77,913	83,059	2,828	93.8	2,755.1	0.2	0.2	0.0
Operating expenses	**26,090,465**	**25,756,772**	**26,110,552**	**101.3**	**99.9**	**72.3**	**73.8**	**72.5**
Costs of materials and services	9,071,584	8,314,641	9,417,616	109.1	96.3	25.2	23.8	26.1
Costs of materials	1,642,792	1,542,951	1,822,603	106.5	90.1	4.6	4.4	5.1
Costs of services	7,428,792	6,771,690	7,595,013	109.7	97.8	20.6	19.4	21.1
Labour costs	12,529,015	12,613,242	12,344,904	99.3	101.5	34.7	36.1	34.3
Depreciation/amortisation	4,075,115	3,958,263	4,090,964	103.0	99.6	11.3	11.3	11.4
Other operating expenses	414,751	870,626	257,068	47.6	161.3	1.1	2.5	0.7
Operating profit before interest, taxes and depreciation/amortization - EBITDA	**14,053,218**	**13,100,556**	**14,008,461**	**107.3**	**100.3**	**39.0**	**37.5**	**38.9**
Operating profit (EBIT)	**9,978,103**	**9,142,293**	**9,917,497**	**109.1**	**100.6**	**27.7**	**26.2**	**27.5**
Net finance income/expenses	**633,599**	**267,000**	**-188,746**	**/**	**/**			
Finance income	1,052,562	726,405	160,208	144.9	657.0			
Finance expenses	418,963	459,405	348,954	91.2	120.1			
Pre-tax profit	**10,611,702**	**9,409,293**	**9,728,751**	**112.8**	**109.1**			
Income tax expense	1,621,421	530,353	1,632,523	305.7	99.3			
Deferred tax	-57,431	437,343	0	/	/			
Net profit	**9,047,712**	**8,441,597**	**8,096,228**	**107.2**	**111.8**			

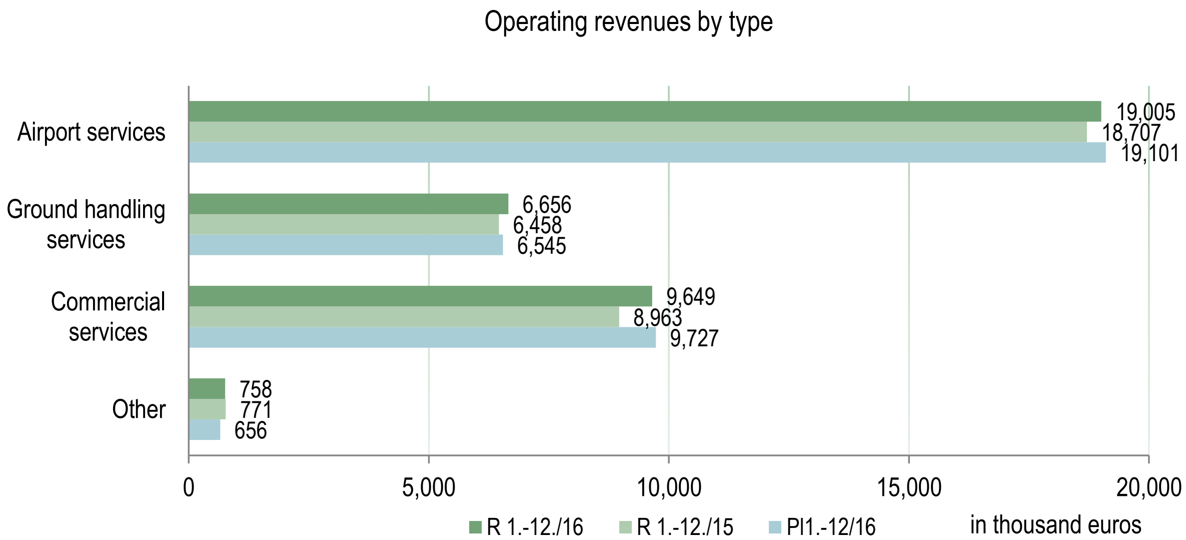
The company performed well in 2016, and despite a slight decline in passenger traffic ended the year with an EBITDA of EUR 14,053 thousand, up EUR 953 thousand on 2015 and in line with the forecast in the plan. Operating revenues were up 3.4% on 2015 at EUR 36,069 thousand, and were also at the level of the forecast. Operating expenses amounted to EUR 26,090 thousand, up 1.3% on 2015, but down slightly on the forecast. EBIT amounted to EUR 9,978 thousand, up 9.1% on 2015, and was at the level of the forecast. Finance income was EUR 892 thousand higher than forecast, in connection with the sale of the majority of non-current financial assets, which resulted in positive net finance income of EUR 634 thousand. Pre-tax profit (EUR 10,612 thousand) and net profit (EUR 9,048 thousand) were both up on 2015 and up on the forecasts in the annual plan.

Operating revenues amounted to EUR 36,069 thousand in 2016, up 3.4% or EUR 1,170 thousand on 2015, and up 0.1% on the forecast. The increase relative to 2015 was a reflection of the increase in foreign airlines' traffic, and the increase in revenues from commercial services.

The vast majority of operating revenues (99.8%) comprised net sales revenue, which amounted to EUR 35,991 thousand. Services on the *domestic market* accounted for 65.8% of the total, or EUR 23,692 thousand, while EUR 12,298 thousand of revenue was generated on *foreign markets*. Sales revenue was up 12.9% on 2015, and up 9.3% on the forecast in the annual plan, as the company succeeded in compensating for the decline in the domestic airline's traffic (sales revenue on the domestic market was down 1% on 2015 and down 4.4% on the forecast).

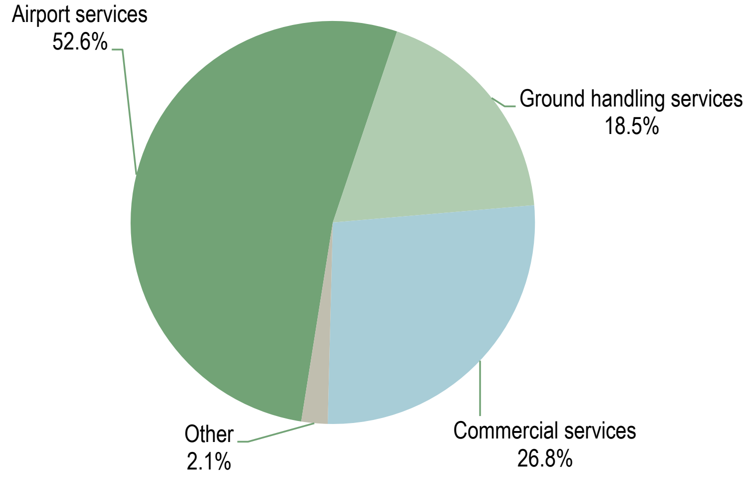


From the prospective of <u>operating revenues by type of service</u>, the increase in foreign airlines' traffic meant that both *revenue from airport services* (EUR 19,005 thousand) and *revenue from ground handling services* (EUR 6,656 thousand) were up on 2015, by 1.6% and 3.1% respectively, while both were at the level of forecast in the business plan. In the segment of *revenue from commercial services* (EUR 9,649 thousand), there was an increase in revenue from warehousing, rents for catering and retail space, and advertising, both relative to the previous year and relative to the forecast.



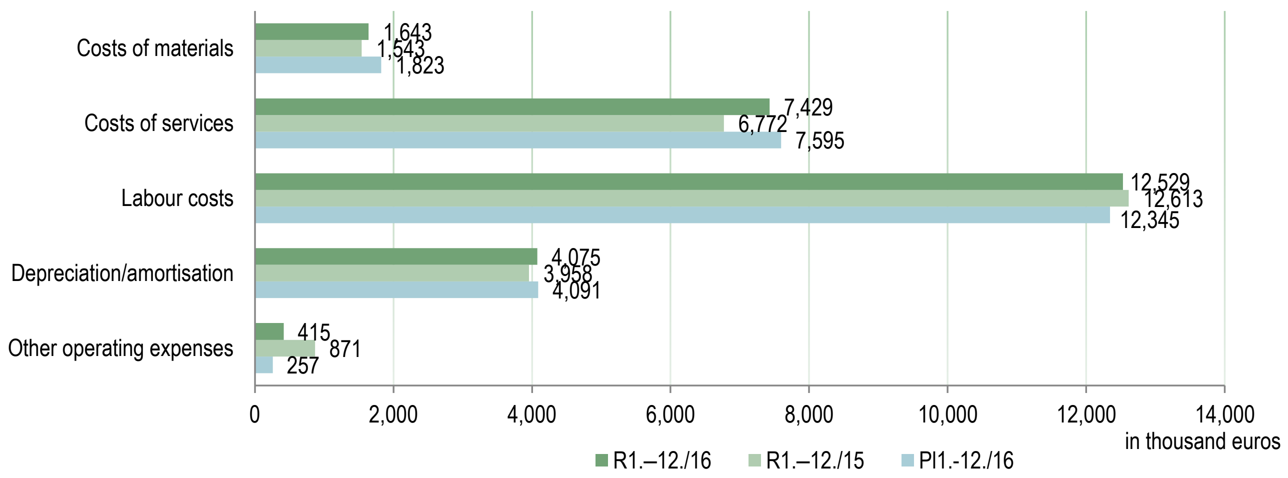
There were no significant changes in the *<u>breakdown of operating revenues</u>* in 2016 relative to the previous year. Revenue from airport services accounted for 52.6% of the total, revenue from ground handling services for 18.5% and revenue from commercial services for 26.8%. The proportion accounted for by commercial services was up 1 percentage point on 2015, while the proportion accounted for by airport services was down 1 percentage point.

Breakdown of operating revenues



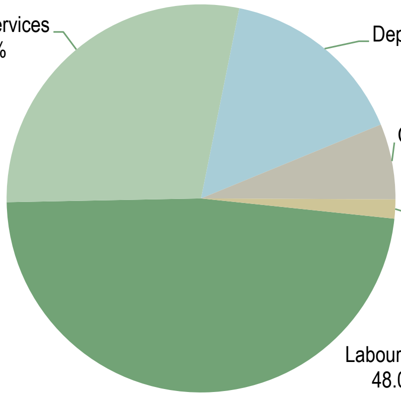
Operating expenses amounted to EUR 26,090 thousand in 2016, up 1.3% on 2015, but down slightly on the forecast. Operating expenses are disclosed in greater detail in point 5.2.2 of the Financial Report.

Operating expenses by type



In the breakdown of operating expenses, labour costs accounted for 48% of the total, followed by costs of services (28.5%), amortisation and depreciation (15.6%), costs of materials (6.3%) and other operating expenses (1.6%). The proportion accounted for by labour costs was down 1 percentage point on 2015, the proportion accounted for by other operating expenses was down 2 percentage points, and the proportion accounted for by costs of services was up 2 percentage points.

Breakdown of operating expenses



Costs of materials amounted to EUR 1,643 thousand, up 6.5% (EUR 100 thousand) on 2015, but down 9.9% (EUR 180 thousand) on the forecast in the annual plan. Energy costs (*electricity,* heating fuel and motor fuel) accounted for half of all costs of materials, while other major items included non-durables, materials for current maintenance, cleaning materials and uniforms (which are purchased every two to three years). *Costs of services* amounted to EUR 7,429 thousand, up 9.7% on 2015, but down 2.2% on the forecast. Security services accounted for just under a quarter 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. *Labour costs* in the amount of EUR 12,529 thousand were down 0.7% on 2015, but up 1.5% on the forecast in the annual plan. *Amortisation and depreciation costs* amounted to EUR 4,075 thousand, up 3% on 2015, but down 0.4% on the forecast.

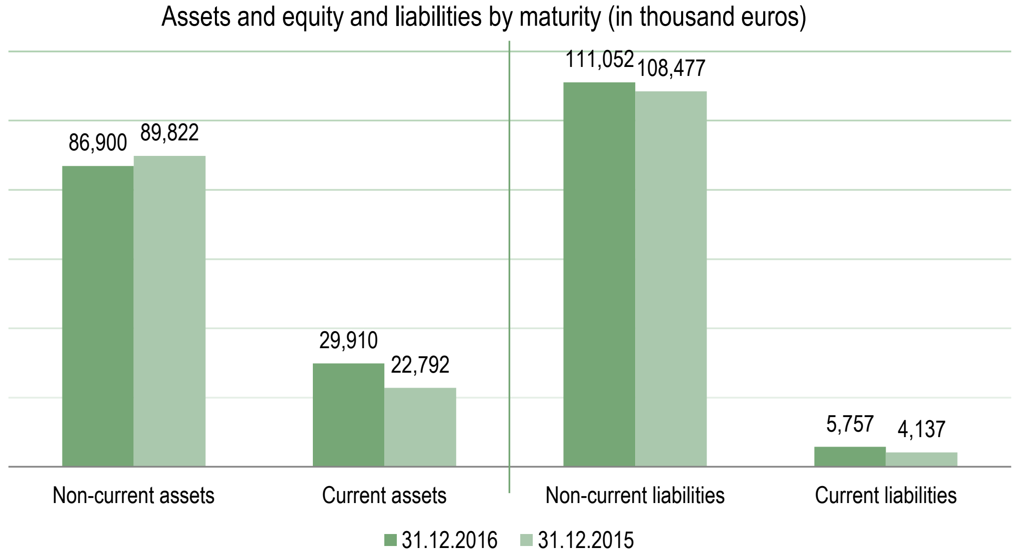
The operating revenues and expenses outlined above resulted in **EBITDA** of EUR 14,053 thousand and **EBIT** of EUR 9,978 thousand. Both figures were up on 2015, and on the forecasts. ***Finance income*** was also higher than forecast (at EUR 1,053 thousand), primarily as a result of the gain on the sale of the majority of non-current financial assets. Finance income was up EUR 327 thousand on 2015, and up EUR 893 thousand on the forecast (the sale of the majority of non-current financial assets was not forecast in the plan). After the deduction of finance expenses in the amount of EUR 419 thousand, **net finance income** amounted to EUR 634 thousand, up EUR 823 thousand on the forecast. **Pre-tax profit** amounted to EUR 10,612 thousand, up EUR 1,203 thousand on 2015, and up EUR 883 thousand on the forecast. Similarly, **net profit** amounted to EUR 9,048 thousand, up EUR 606 thousand on 2015, and up EUR 952 thousand on the forecast.

2.4.2 BALANCE SHEET

in euros

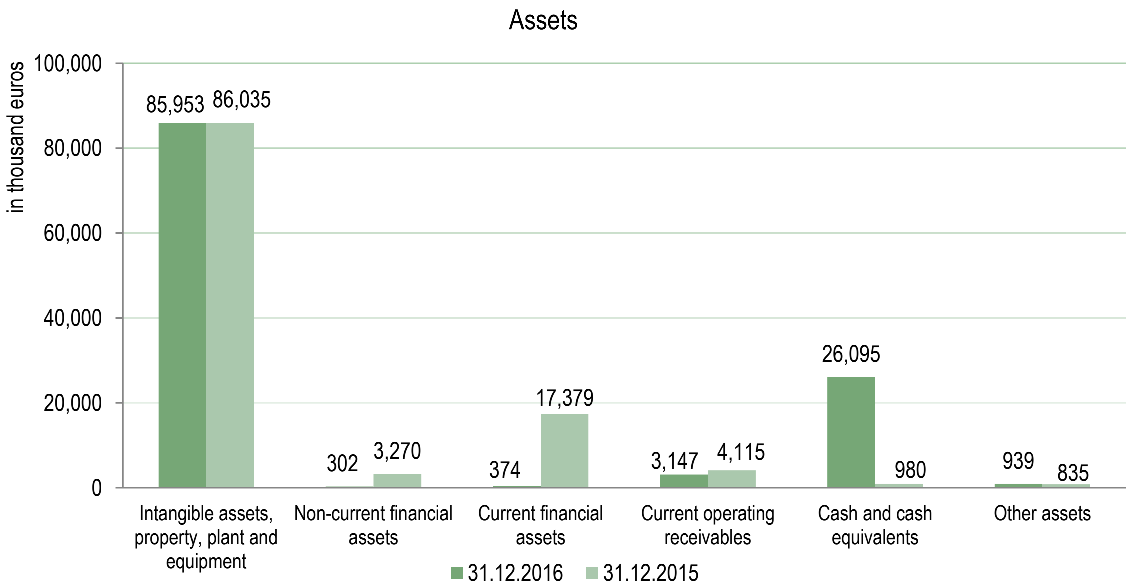
	31.12.2016	31. 12. 2015	Index 16/15	Proportion 16	Proportion 15
ASSETS	**116,809,665**	**112,614,155**	**103.7**	**100.0**	**100.0**
Non-current assets	**86,899,981**	**89,822,203**	**96.7**	**74.4**	**79.8**
Intangible assets	8,493,339	8,579,312	99.0	7.3	7.6
Property, plant and equipment	77,459,437	77,455,956	100.0	66.3	68.8
Investments in associates	0	0	/	0.0	0.0
Non-current financial assets	302,000	3,269,839	9.2	0.3	2.9
Non-current operating receivables	59,873	59,873	100.0	0.1	0.1
Deferred tax assets	585,332	457,224	128.0	0.5	0.4
Current assets (total)	**29,909,684**	**22,791,952**	**131.2**	**25.6**	**20.2**
Current assets excluding prepayments and accrued income	**29,861,058**	**22,745,951**	**131.3**	**25.6**	**20.2**
Inventories	244,899	272,155	90.0	0.2	0.2
Current financial assets	374,091	17,378,540	2.2	0.3	15.4
Current operating receivables	3,146,674	4,115,401	76.5	2.7	3.7
Cash and cash equivalents	26,095,394	979,855	2,663.2	22.3	0.9
Current prepayments and accrued income	**48,626**	**46,001**	**105.7**	**0.0**	**0.0**
EQUITY AND LIABILITIES	**116,809,665**	**112,614,155**	**103.7**	**100.0**	**100.0**
Equity	**102,385,495**	**100,110,897**	**102.3**	**87.7**	**88.9**
Issued capital	15,842,626	15,842,626	100.0	13.6	14.1
Share premium	24,287,659	24,287,659	100.0	20.8	21.6
Profit reserves	43,933,874	43,933,874	100.0	37.6	39.0
Revaluation surplus	-176,985	223,584	-79.2	-0.2	0.2
Retained earnings	18,498,321	15,823,153	116.9	15.8	14.1
Non-current liabilities (total)	**8,666,909**	**8,366,097**	**103.6**	**7.4**	**7.4**
Provisions and non-current accruals and deferred income	**1,634,337**	**1,264,261**	**129.3**	**1.4**	**1.1**
Provisions for jubilee benefits and termination benefits	1,271,222	1,160,765	109.5	1.1	1.0
Non-current accruals and deferred income	363,115	103,496	350.8	0.3	0.1
Non-current liabilities	**7,032,572**	**7,101,836**	**99.0**	**6.0**	**6.3**
Non-current operating liabilities	7,032,572	7,101,836	99.0	6.0	6.3
Current liabilities (total)	**5,757,261**	**4,137,161**	**139.2**	**4.9**	**3.7**
Current liabilities	**5,387,616**	**4,019,078**	**134.1**	**4.6**	**3.6**
Current operating liabilities	5,387,616	4,019,078	134.1	4.6	3.6
Current accruals and deferred income	**369,645**	**118,084**	**313.0**	**0.3**	**0.1**

The company’s balance sheet total amounted to EUR 116,810 thousand as at 31 December 2016, up 3.7% (EUR 4,196 thousand) on 31 December 2015.



Non-current assets accounted for 74.4% of **total assets**, and amounted to EUR 86,900 thousand, down 3.3% (EUR 2,922 thousand) on 31 December 2015, *which was primarily a reflection of the sale of the majority of the non-current financial assets (available-for-sale financial assets). Property, plant and equipment was unchanged from 31 December 2015.*

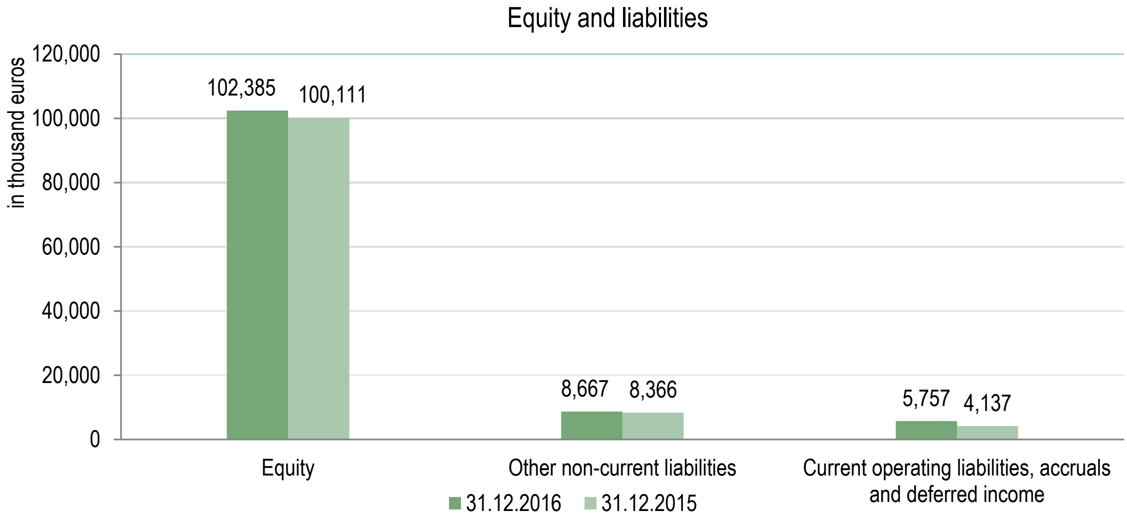
Current assets, which accounted for 25.6% of total assets as at 31 December 2016, were up 31.2% (EUR 7,118 thousand) on 31 December 2015 at EUR 29,910 thousand. Cash and cash equivalents had increased to EUR 26,095 thousand as at 31 December 2016, in connection with the sale of non-current financial assets and a decline in short-term deposits at banks, and as a result of the company's good performance. Current operating receivables were down 23.5% (EUR 3,147 thousand) on 31 December 2015, as a result of a decline in trade receivables, and the disclosure of a corporate income tax asset as at 31 December 2015 and a corporate income tax liability as at 31 December 2016.



Non-current liabilities (EUR 111,052 thousand) accounted for 95.1% of ***total equity and liabilities***, and are used to finance all of the company's non-current assets and a significant proportion of its current assets. Equity accounted for the majority of non-current liabilities (EUR 102,385 thousand or 87.7% of total equity and liabilities), while other non-current liabilities (7.4% of total equity and liabilities) amounted to EUR 8,667 thousand. They primarily comprised non-current operating liabilities (EUR 7,033 thousand), which mostly related to liabilities from general superficies.

Current liabilities accounted for 4.9% of total equity and liabilities (EUR 5,757 thousand), and primarily comprised current operating liabilities (EUR 5,388 thousand or 4.6% of total equity and liabilities). The figure was up 34.1% (EUR 1,369 thousand) on 31 December 2015, primarily on account of the corporate income tax liability that was disclosed as at 31 December 2016 (a corporate income tax asset having been disclosed a year earlier).

The company had no financial liabilities as at 31 December 2016.



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

2.4.3 FINANCIAL MANAGEMENT

Liquidity was maintained at a high level in 2016, 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 2016 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 2017 there is again no planned requirement for any external financing.

2.4.4 CASH FLOWS

in euros

	2016	2015	Index 16/15
Opening balance of cash and cash equivalents	979,855	62,996	1,555.4
Cash flows from operating activities	15,407,371	11,691,559	131.8
Cash flows from investment activities	16,084,504	-9,526,560	/
Cash flows from financing activities	-6,376,280	-1,252,955	508.9
Effect of foreign exchange differences on cash and cash equivalents	-56	4,815	/
Closing balance of cash and cash equivalents	26,095,394	979,855	2,663.2

2.4.5 PERFORMANCE INDICATORS

	2016	2015	Index 16/15
EBITDA margin (operating profit or loss + depreciation/amortisation)/operating revenues)	0.390	0.375	103.8
EBIT margin (operating profit or loss/operating revenues)	0.277	0.262	105.6
Net ROE (net profit/average equity excluding net profit for the year)	0.094	0.092	102.2
Net ROA ((net profit + interest obtained)/average assets)	0.079	0.077	102.2
Operating efficiency ratio (operating revenues/operating expenses)	1.382	1.355	102.0
Overall efficiency ratio (total revenues/total expenses)	1.400	1.359	103.0
Equity to non-current assets ratio (equity/non-current assets)	1.178	1.115	105.7
Self-financing ratio (equity/equity and liabilities)	0.877	0.889	98.6

2.4.6 PLANS FOR 2017

The company's business plan for 2017 has been formulated on the basis of the forecast for traffic, the forecast services and the anticipated level of pricing, and the assumption of regularity of payments by customers. Capacity and the range of services will be tailored to the development of traffic, and will track demand from our business partners.

Operating revenues in the amount of EUR 36.1 million and operating expenses in the amount of EUR 27.4 million are forecast for 2017. EBITDA is forecast at EUR 13.4 million, EBIT at EUR 8.7 million and net profit at EUR 6.8 million.

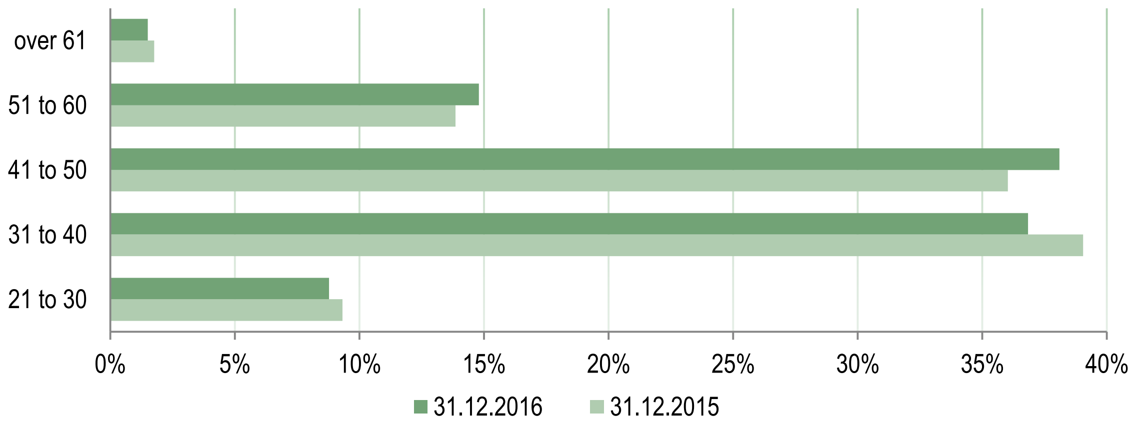
2.5 EMPLOYEES

The company had a headcount of 399 at the end of the year (31 December 2016), of whom 388 were permanent and 11 were temporary employees. The gender breakdown was 26.6% women (106 in all), 73.4% men (293 in all). The headcount was up two on 31 December 2015.

Age structure of employees

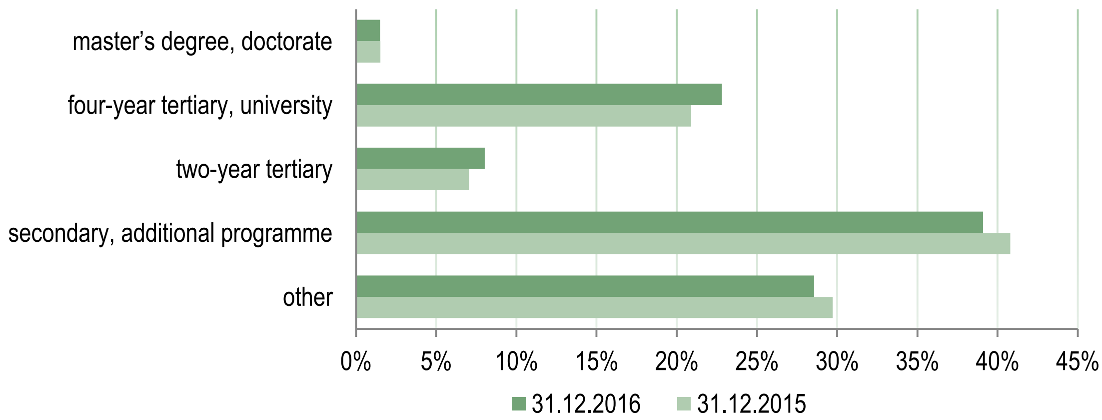
The average age of the workforce was 42.63 at the end of 2016.

Some 298 employees are aged between 31 and 50 (74.7% of the total), 35 are aged between 20 and 30 (8.8%), and 66 are 51 or older (16.5%).



Education structure

The ongoing work to raise the average level of qualifications is evident in the change in the qualifications breakdown over the year: as at 31 December 2016 there were six more employees with higher qualifications (five with university-level qualifications, and one with a secondary vocational qualification) than there had been as at 31 December 2015.



Cooperation with education institutions, work experience

Practical training was provided in 2016 for five university students and ten school students from eleven different schools and faculties. A total of 2,640 hours of training was provided, 940 more than in the previous year.

2.6 INVESTMENTS IN INFRASTRUCTURE AND EQUIPMENT

2.6.1 2016

Investments in infrastructure and equipment are following the company's developmental needs. A total of EUR 4,055 thousand was invested in infrastructure and equipment in 2016, of which EUR 2,886 thousand was earmarked for infrastructure, while the remainder was spent on airport equipment (EUR 449 thousand) and computer equipment (EUR 720 thousand).

in thousand euros

	Plan 2016	Realisation 2016	Index R16/Pl16
Intangible assets	0	84	/
Infrastructure, land	5,303	2,886	54.4
Computer equipment (hardware and software)	1,274	720	56.5
Airport equipment	610	449	73.6
Total	7,187	4,139	57.6

The investments in infrastructure and land (on which EUR 2,886 thousand was spent in 2016) covered the majority of the project for the replacement and partial overhaul of the navigation light system on the runway. The work will continue in the spring of 2017, and the new lighting system will be operational by the summer.

Several minor changes were also made to the passenger terminal, thereby improving quality of service. The space before security control was increased and a fourth security inspection line (transfer passengers) was introduced, new counters were provided for airlines, the bathrooms in arrivals were renovated, and an additional gate was provided in departures.

Some of the investment relates to the relocation of the main airport boundary road, which is a prerequisite for the expansion of the airport, and will allow for the development of the business and logistics zone on land north of the current road, and for building to be undertaken on land right next to the airport. Work began in October 2016 and will continue in 2017. Aerodrom Ljubljana is co-financing about a third of the project (the remainder is primarily being financed by the government, and a smaller part by the Municipality of Cerklje).

An overhaul of the cooling system was also carried out in 2016, with the installation of hot and cold water connections between two boilers, thereby providing for increased capacity, availability and reliability on the part of the entire cooling system at the airport.

The company earmarked EUR 720 thousand for computer equipment in 2016, of which EUR 428 thousand was earmarked for hardware and EUR 292 thousand for software. The entire main server infrastructure was replaced in 2016, a new data backup centre was put in place, and work was completed on the project to completely overhaul the active fixed and wireless network equipment.

EUR 449 thousand was earmarked for airport equipment, of which EUR 259 thousand was for the purchase of airport equipment for the apron (primarily a pushback tractor and two electricity stations for charging aircraft). EUR 50 thousand was earmarked for the purchase of fire-fighting equipment, and EUR 43 thousand for the purchase of specialist winter equipment vehicle.

2.6.2 PLANS FOR 2017

Investments in infrastructure and equipment totalling EUR 12,085 thousand are planned in 2017. EUR 8,641 thousand will be earmarked for construction, EUR 1,994 thousand for computer equipment and EUR 1,450 thousand for airport equipment. A significant portion of the funds will be earmarked for infrastructure and equipment for the aviation academy, while a notable IT project is the replacement of the airport operations information system. Certain projects begun in 2016 (the navigation light system for the runway, and the relocation of the main airport boundary road) are also scheduled for completion.

2.7 FRAPORT AVIATION ACADEMY

In November the Fraport Aviation Academy was established at Ljubljana Airport, whose mandate for operating was given to Aerodrom Ljubljana. Its main aim is to meet training and education requirements within the Fraport Group, as well as from external customers. For this purpose we will construct a new Fire Training Centre in order to be inaugurated in 2018. Initially, the Fraport Aviation Academy will perform training in airport management, ground handling, and rescue and firefighting fire services – training areas where Aerodrom Ljubljana and Fraport have already been active for some years. We will continue to perform existing training courses, while newly developed training will start in the first half of 2018. Not only do we want to pass on knowledge, but also to link different areas of aviation into an integrated learning concept, and therefore, in the future, expand the scope of services to other fields, such as airlines, authorities and air traffic control.

Throughout 2016 we established partnerships with several important organizations and institutions. The letters of intent were signed with the Center of Protection and Disaster Relief of the Republic of Slovenia, the Faculty of Organizational Sciences in Kranj and the Slovenian Air Traffic Control. Both basic and advanced training for airport firefighters will be implemented at educational centres at Ljubljana and Frankfurt Airports by qualified instructors from Aerodrom Ljubljana and other Fraport Group airports. Demanding fire training courses, such as extinguishing internal fires and responding to accidents involving hazardous materials, will be held at the Protection and Disaster Relief of the Republic of Slovenia in Ig, near Ljubljana.

3 RISK MANAGEMENT

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

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

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

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

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

Opportunities

While risks entail the threat of the realisation of a specific event with adverse consequences for the company, they also entail opportunities for the realisation of a specific event with beneficial consequences in the financial or operating sense. Aerodrom Ljubljana primarily sees opportunities in the market potential of the Alpe Adria region, the introduction of scheduled intercontinental routes, the organisation of a base for an additional airline or major freight forwarding firm, and, not least, cooperation with the Slovenian Tourist Board aimed at jointly attracting foreign air passengers to Slovenia.

Compliance

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

The company's code of ethics sets out the core principles and rules by which employees and other persons working at Aerodrom Ljubljana, d.o.o. are bound to act. It comprises the rules and principles observed at the company to protect employees and the company itself from the risks of breaches, non-performance or non-observance of contractual and other obligations relating to employment, and to protect the reputation of the company and each member of staff. An ethics committee was established to oversee the implementation of the code of ethics, and its duties encompass the collection, processing and analysis of written and verbal reports of breaches of ethical conduct or other irregularities at the company. The ethics committee did not receive any reports of breaches of the code of ethics in 2016.

4 SUSTAINABLE DEVELOPMENT

Alongside aviation safety and quality of service, sustainable development is another key value of Aerodrom Ljubljana. 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 company is aware that as the operator of an airport its activities have an impact on air quality and noise in the local environment.

As air traffic density increases, so too does the aviation sector's carbon footprint, even though the development of aviation is bringing more environment-friendly technology. In the future greater steps should be taken on the path to more sustainable energy products.

The company has put in place an environmental management system, which sets out its environmental policy, covers the main environmental aspects and impacts, and allows for appropriate environmental targets and programmes to be formulated. All environmental aspects that could have a significant impact on the environment are measured. Legislation requires the company to conduct periodic monitoring of environmental noise emissions, regular measurements of flue gases from boilers and other heating appliances, and periodic monitoring of wastewater. The company reports regularly to the Slovenian Environment Agency on its management of waste and ozone-depleting substances.

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

The company has had ISO 14001 certification since 2015, thereby demonstrating that it meets the requirements of the standard, and that it works permanently to reduce the adverse impact of its activities on the environment. We are active participants in the Airport Carbon Accreditation Programme, a programme that sets European airports on the pathway to carbon neutrality. Each year we calculate our carbon footprint, which we are trying to systematically reduce. For several years we have been using electricity generated from 100%-renewable resources, proof of our commitment to sustainable energy. These activities are being built on with measures to make office operations greener, for which we were awarded European Green Office (EGO) certification in 2013, retaining it each year since.

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

One of Aerodrom Ljubljana's key competitive advantages is its highly qualified and motivated staff. Promoting ideas of sustainability and environmental content among the staff is the responsibility of the Green Team, which encourages the pursuit of the objectives set out in the EGO project.

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

Aerodrom Ljubljana's work on sustainable development is summarised each year in its sustainability report. The full sustainability report can be found at www.lju-airport.si.

FINANCIAL REPORT

1 STATEMENT OF MANAGEMENT

I, Zmago Skobir, the managing director of Aerodrom Ljubljana, 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 Aerodrom Ljubljana, d.o.o. for 2016 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 Aerodrom Ljubljana, 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 Aerodrom Ljubljana, 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 Aerodrom Ljubljana, 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 Aerodrom Ljubljana, d.o.o., I declare that I have been briefed on all substantive components of the annual report, I approve them, and I confirm this with my signature.

Zmago Skobir

Managing Director

Zg. Brnik, 14 March 2017

2 INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
to the owners of Aerodrom Ljubljana d.o.o.

Opinion

We have audited the accompanying financial statements of the company **Aerodrom Ljubljana d.o.o.** (hereinafter 'the Company'), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of total comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (hereinafter 'IFRS').

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

The other information include information in the Annual Report, except for the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of Management and Investors Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

Investors Committee is responsible for overseeing the Company's financial reporting process.

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.
- Perform the procedures of verification and 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 controls.
- 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 entity 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.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified Auditor

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

For signature please refer to the original Slovenian version.

Ljubljana, 14 March 2017

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

3 FINANCIAL STATEMENTS

3.1 BALANCE SHEET

in euros

Balance sheet	Notes	31.12.2016	31.12.2015
ASSETS		**116,809,665**	**112,614,155**
Non-current assets		**86,899,981**	**89,822,203**
Intangible assets, non-current prepayments and accrued income	5.1.1	8,493,339	8,579,312
Property, plant and equipment	5.1.2	77,459,437	77,455,956
Investments in associates	5.1.3	0	0
Non-current financial assets	5.1.4	302,000	3,269,838
Non-current operating receivables		59,873	59,873
Deferred tax assets	5.1.5	585,332	457,224
Current assets (total)		**29,909,684**	**22,791,952**
Current assets excluding prepayments and accrued income		**29,861,058**	**22,745,951**
Inventories		244,899	272,155
Current financial assets	5.1.6	374,091	17,378,540
Current operating receivables	5.1.7	3,146,674	4,115,401
- of which receivables for income tax expense		0	558,239
Cash and cash equivalents	5.1.8	26,095,394	979,855
Currrent prepayments and accrued income		**48,626**	**46,001**
EQUITY AND LIABILITIES		**116,809,665**	**112,614,155**
Equity	5.1.9	**102,385,495**	**100,110,897**
Nominal capital		15,842,626	15,842,626
Capital surplus		24,287,659	24,287,659
Profit reserves		43,933,874	43,933,874
Revaluation surplus		-176,985	223,584
Retained earnings		18,498,321	15,823,154
Non-current liabilities (total)		**8,666,909**	**8,366,097**
Provisions and non-current accruals and deferred income	5.1.10	**1,634,337**	**1,264,261**
Provisions for jubilee benefits and termination benefits		1,271,222	1,160,765
Non-current accruals and deferred income		363,115	103,496
Non-current liabilities		**7,032,572**	**7,101,836**
Non-current operating liabilities	5.1.11	7,032,572	7,101,836
Current liabilities (total)		**5,757,261**	**4,137,161**
Current liabilities		**5,387,616**	**4,019,077**
Current operating liabilities	5.1.12	5,387,616	4,019,077
- of which liabilities for income tax expense		1,135,264	0
Current accruals and deferred income		**369,645**	**118,084**

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

3.2 INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

in euros

Income statement	Notes	1.–12.2016	1.–12.2015
Operating revenues	5.2.1	**36,068,568**	**34,899,065**
Net sales revenue		35,990,655	34,816,006
Other operating revenues		77,913	83,059
Operating expenses	5.2.2	**-26,090,465**	**-25,756,772**
Costs of materials and services		**-9,071,584**	**-8,314,641**
Costs of materials		-1,642,792	-1,542,951
Costs of services		-7,428,792	-6,771,690
Labour costs		**-12,529,015**	**-12,613,242**
Depreciation/amortisation		**-4,075,115**	**-3,958,263**
Other operating expenses		**-414,751**	**-870,626**
Operating profit (EBIT)		**9,978,103**	**9,142,293**
Net finance income/expenses	5.2.3	**633,599**	**267,000**
Finance income		**1,052,562**	**726,405**
Finance expenses		**-418,963**	**-459,405**
Pre-tax profit		**10,611,702**	**9,409,293**
Income tax expense	5.2.4	-1,621,421	-530,353
Deferred tax	5.2.4	57,431	-437,343
Net profit for the period		**9,047,712**	**8,441,597**

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

in euros

Statement of comprehensive income	Notes	1.–12.2016	1.–12.2015
Net profit for the period		**9,047,712**	**8,441,597**
Items that could subsequently be reclassified to profit or loss		**-342,758**	**32,941**
Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets		**-413,437**	**39,688**
- gain/(loss) recognised as revaluation surplus		-16,463	59,505
- transfer of gain/(loss) from revaluation surplus to profit or loss		-396,974	-19,817
Corporate income tax in connection with items that could subsequently be reclassified to profit or loss		**70,679**	**-6,747**
- in connection with gain/(loss) recognised as revaluation surplus		3,193	-10,116
- in connection with transfer of gain/(loss) from revaluation surplus to profit or loss		67,486	3,369
Items that subsequently will not be reclassified to profit or loss		**-57,811**	**94,584**
Unrealised actuarial profit/loss from post-employment benefits		-59,397	85,444
Realised actuarial loss (after payment of post-employment benefits)		1,586	9,140
Total other comprehensive income for the period	5.2.5	**-400,569**	**127,525**
Total comprehensive income for the period		**8,647,143**	**8,569,122**

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit corrected for deferred tax	**8,990,281**	**8,878,940**
Adjustment for:	**5,232,686**	**3,861,213**
- income tax expense recognised in the income statement	1,621,421	530,352
- amortisation/depreciation of intangible assets and property, plant and equipment	4,075,115	3,958,263
- gain/loss on disposal/elimination of intangible assets and property, plant and equipment	122,939	-7,560
- impairment of inventories	3,223	4,373
- impairment of receivables	35,926	655,599
- creation/reversal of provisions	67,493	36,921
- other non-cash transactions	408,054	63,918
- income from liquidation of available-for-sale assets	0	-495,910
- finance income	-1,029,698	-219,968
- finance expenses	414,369	423,816
- income tax expense paid	-486,156	-1,088,591
Cash flow from operating activities, excluding working capital	**14,222,967**	**12,740,153**
Change in operating receivables	-30,348	-1,321,984
Change in prepayments and accrued income	11,871	14,654
Change in inventories	24,033	62,973
Change in operating liabilities	1,118,408	327,014
Change in accruals and deferred income	60,440	-131,251
Net cash flow from operating activities	**15,407,371**	**11,691,559**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investing activities	**184,331,087**	**40,829,252**
Proceeds from interest and profit participation from investing	91,774	162,273
Proceeds from disposal of property, plant and equipment	15,653	46,771
Proceeds from disposal of non-current financial assets	3,078,120	147,119
Proceeds from available-for-sale assets	0	953,499
Proceeds from disposal of current financial assets	181,145,540	39,519,590
Outflows from investing activities	**-168,246,583**	**-50,355,812**
Payments for intangible assets	-308,600	-158,483
Payments for property, plant and equipment	-4,137,983	-2,124,232
Payments for available-for-sale assets	0	-46,197
Payments for current financial assets	-163,800,000	-48,026,900
Net cash flow from investing activities	**16,084,504**	**-9,526,560**
CASH FLOWS FROM FINANCING ACTIVITIES		
Outflows from financing activities	**-6,376,280**	**-1,252,955**
Payments of share of profit	-6,376,280	-1,252,955
Net cash flow from financing activities	**-6,376,280**	**-1,252,955**
Net increase in cash and cash equivalents	**25,115,595**	**912,044**
Opening balance of cash and cash equivalents	979,855	62,996
Effect of foreign exchange differences on cash and cash equivalents	-56	4,815
Cash and cash equivalents at the end of the period	**26,095,394**	**979,855**

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

3.4 STATEMENT OF CHANGES IN EQUITY

in euros

Statement of changes in equity	Nominal capital	Capital surplus	Legal reserves	Reserves under Articles of Association	Other profit reserves	Revaluation surplus	Retained earnings	Net profit for the financial year	Total equity
1.1.2015	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**96,059**	**5,027,175**	**3,593,911**	**92,781,304**
Net profit from the previous year	0	0	0	0	0	0	3,593,911	-3,593,911	0
Net profit for the period	0	0	0	0	0	0	0	8,441,597	8,441,597
Realised actuarial loss from post-employment benefits	0	0	0	0	0	0	-9,140	0	-9,140
Other comprehensive income for the period	0	0	0	0	0	127,525	0	0	127,525
Payment of share of profit	0	0	0	0	0	0	-1,230,389	0	-1,230,389
31.12.2015	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**223,584**	**7,381,557**	**8,441,597**	**100,110,897**
1.1.2016	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**223,584**	**7,381,557**	**8,441,597**	**100,110,897**
Net profit from the previous year	0	0	0	0	0	0	8,441,597	-8,441,597	0
Net profit for the period	0	0	0	0	0	0	0	9,047,712	9,047,712
Other comprehensive income for the period	0	0	0	0	0	-400,569	0	0	-400,569
Draw-down of actuarial deficit	0	0	0	0	0	0	-1,586	0	-1,586
Payments of share of profit	0	0	0	0	0	0	-6,370,959	0	-6,370,959
31.12.2016	**15,842,626**	**24,287,659**	**4,013,029**	**12,039,085**	**27,881,760**	**-176,985**	**9,450,609**	**9,047,712**	**102,385,495**

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

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 REPORTING COMPANY

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

The financial statements were approved by the company's management on 14 March 2017.

4.2 BASIS FOR COMPILING FINANCIAL STATEMENTS

Statement of compliance

The financial statements for 2016 and 2015 were compiled in accordance with the IFRS, as adopted by the European Union. The accounting and reporting requirements of the IFRS have been applied, as well as the requirements of the ZGD-1 and the company's internal rules.

Basis of measurement

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

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

Functional and reporting currency

The financial statements have been compiled in euros, the company's functional currency.

Use of estimates and judgments

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

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

Estimates and judgments were used in at least the following:

- Estimate of provisions (Point 4.3 [provisions] and Point 5.1.10 of the Financial Report),

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

4.3 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Aerodrom Ljubljana, d.o.o. owns 30.46% of Aerodrom Portorož, d.o.o. There are no significant transactions between the two companies, nor is there any exchange of managerial staff or the mutual provision of professional information and knowledge. The influence of Aerodrom Ljubljana, d.o.o. on Aerodrom Portorož, d.o.o. is defined in the provisions of the memorandum of association and is in proportion to the ownership holding that the former company has in the latter. In light of this, Aerodrom Ljubljana, d.o.o. does not have a dominant or significant influence on Aerodrom Portorož, d.o.o. Therefore, the investment was valued at historical cost, less any impairment.

Foreign currency

Transactions expressed in foreign currency are converted at the European Central Bank (ECB) reference exchange rate on the day the transaction took place. Cash and cash equivalents and liabilities denominated in foreign currencies on the balance sheet date are converted to euros according to then valid reference rate of the ECB. Foreign exchange differences are recognised in the income statement.

Financial instruments

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

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

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

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

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

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

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

a) Available-for-sale financial assets

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

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

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

b) Loans issued and granted

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

c) Others

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

<u>Derivative financial instruments</u>

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

Property, plant and equipment

<u>Recognition and measurement</u>

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

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

Subsequent costs

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

Depreciation

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

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

The estimated useful life falls within the following ranges:	2016
Infrastructure (with components)	10-35 years
Computer equipment	2-12.5 years
Motor vehicles	4-12.5 years
Other plant and equipment	5-20 years

There were no changes in the depreciation rates in 2016.

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

Intangible assets

Recognition and measurement

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

Subsequent costs

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

Amortisation

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

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

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

Inventories

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

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

Impairment

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

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

If a decrease in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss previously recognised in equity is removed from equity and recognised in the income statement. The amount of cumulative loss removed from equity and recognised in the income statement is the difference between the historical cost and the current fair value, reduced by the impairment loss on that financial asset already previously recognised in the income statement.

Receivables are revalued for reason of impairment if their carrying amount exceeds their fair value (i.e. the recoverable amount). Receivables that it may be presumed will not be settled by the standard deadline or settled in full are deemed doubtful, or disputed if judicial proceedings have been initiated over them. The recoverability of each receivable is assessed when the adjustment is made. Operating expenses are recognised according to their impairment. Insofar as there is any uncertainty regarding repayment when the receivables arise, the value adjustment is created via a reduction in operating revenue.

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

<u>Calculating the recoverable amount</u>

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

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

Reversal of impairment

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

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

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

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

Equity

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

Profit-sharing

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

Provisions

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

Provisions for termination benefits and jubilee benefits

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

Accrued and deferred items

Non-current accrued and deferred items

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

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

Current accrued and deferred items

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

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

Revenues

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

Revenues from services

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

State aid

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

Expenses

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

Finance income and expenses

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

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

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

Income tax expense

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

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

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

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

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

Initial application of new amendments to the existing Standards and Interpretation effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments" -** adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

The company anticipates the adoption of these standards, revisions and interpretations to have no material impact on its financial statements during initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" -** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers" -** Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows" -** Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes" -** Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property" -** Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The company anticipates the adoption of these new standards and amendments to the existing standards to have no material impact on its financial statements in the period of initial application.

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	2016	2015
Intangible assets	8,477,928	8,556,052
Non-current prepayments and accrued income	15,411	23,260
Total	8,493,339	8,579,312

in euros

	Licences, software	Property rights	Intangible assets in acquisition	Total
HISTORICAL COST				
31.12.2015	1,956,440	8,335,350	45,285	10,337,075
Acquisitions	0	0	322,602	322,602
Capitalisations	188,403	85,160	-273,563	0
Disposals	0	-8,789	0	-8,789
31.12.2016	2,144,843	8,411,721	94,324	10,650,888
IMPAIRMENT				
31.12.2015	1,361,863	419,160	0	1,781,023
Amortisation	183,613	208,983	0	392,596
Disposals	0	-659	0	-659
31.12.2016	1,545,476	627,484	0	2,172,960
CARRYING AMOUNT				
31.12.2015	594,577	7,916,190	45,285	8,556,052
31.12.2016	599,367	7,784,237	94,324	8,477,928
HISTORICAL COST				
31.12.2014	1,865,755	8,335,350	49,020	10,250,125
Acquisitions	0	0	86,950	86,950
Capitalisations	90,685	0	-90,685	0
31.12.2015	1,956,440	8,335,350	45,285	10,337,075
IMPAIRMENT				
31.12.2014	1,192,004	210,177	0	1,402,181
Amortisation	169,859	208,983	0	378,842
31.12.2015	1,361,863	419,160	0	1,781,023
CARRYING AMOUNT				
31.12.2014	673,751	8,125,173	49,020	8,847,944
31.12.2015	594,577	7,916,190	45,285	8,556,052

Intangible assets amounted to EUR 8,477,928 as at 31 December 2016 and are free of encumbrance. The general superficies obtained on the basis of the general agreement on mutual relations and the establishment of superficies with regard to the use of specific land (concluded with the Ministry of Infrastructure and Spatial Planning in March 2014) is disclosed under property rights. Under the agreement the company obtained superficies on 248 hectares of land owned by the state that the company uses for its core airport activities, part of which is functional land. Superficies was obtained under the agreement for a period of 40 years from 1 January 2014 and will be repaid in instalments over the lifetime of the agreement.[1]

5.1.2 PROPERTY, PLANT AND EQUIPMENT

in euros

Property, plant and equipment	2016	2015
Land	14,983,770	14,976,147
Infrastructure	49,140,547	50,407,858
Plant and equipment	7,877,795	7,630,133
Property, plant and equipment in acquisition	5,457,325	4,441,818
Total	77,459,437	77,455,956

[1]The company accordingly disclosed EUR 6,612,855 of non-current operating liabilities and EUR 387,190 of current operating liabilities as at 31 December 2016.

in euros

	Land	Infrastructure	Plant and equipment	Plan and equipment not in use	Property, plant and equipment in acquisition	Total
HISTORICAL COST						
31.12.2015	14,976,147	111,971,952	46,825,233	54,222	4,441,818	178,269,372
Acquisitions	0	0	0	0	3,816,462	3,816,462
Capitalisations	7,623	816,309	1,849,991	0	-2,673,923	0
Transfer	0	0	-78,856	78,856	0	0
Disposals and eliminations	0	-74,046	-512,459	-54,222	-127,032	-767,759
31.12.2016	14,983,770	112,714,215	48,083,909	78,856	5,457,325	181,318,075
IMPAIRMENT						
31.12.2015	0	61,564,094	39,195,100	54,222	0	100,813,416
Transfer	0	0	-78,856	78,856	0	0
Depreciation	0	2,082,359	1,600,160	0	0	3,682,519
Disposals and eliminations	0	-72,785	-510,290	-54,222	0	-637,297
31.12.2016	0	63,573,668	40,206,114	78,856	0	103,858,638
CARRYING AMOUNT						
31.12.2015	14,976,147	50,407,858	7,630,133	0	4,441,818	77,455,956
31.12.2016	14,983,770	49,140,547	7,877,795	0	5,457,325	77,459,437
HISTORICAL COST						
31.12.2014	14,976,147	110,739,653	46,355,402	263,906	4,795,178	177,130,286
Acquisitions	0	0	0	0	2,123,876	2,123,876
Capitalisations	0	1,527,476	949,853	0	-2,477,236	93
Transfer	0	0	-319,047	319,047	0	0
Disposals and eliminations	0	-295,177	-160,975	-528,731	0	-984,883
31.12.2015	14,976,147	111,971,952	46,825,233	54,222	4,441,818	178,269,372
IMPAIRMENT						
31.12.2014	0	59,870,924	38,044,745	263,906	0	98,179,575
Transfer	0	0	-316,293	316,293	0	0
Capitalisations	0	0	93	0	0	93
Depreciation	0	1,974,403	1,605,017	0	0	3,579,420
Disposals and eliminations	0	-281,233	-138,462	-525,977	0	-945,672
31.12.2015	0	61,564,094	39,195,100	54,222	0	100,813,416
CARRYING AMOUNT						
31.12.2014	14,976,147	50,868,729	8,310,657	0	4,795,178	78,950,711
31.12.2015	14,976,147	50,407,858	7,630,133	0	4,441,818	77,455,956

The property, plant and equipment disclosed as at 31 December 2016 was free of encumbrance, and there are no indications of impairment. Liabilities to suppliers of property, plant and equipment amounted to EUR 791,088 as at 31 December 2016.

<u>Land</u>

As at 31 December 2016 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 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) during the privatisation of the company and is not disclosed in the company's books of account. In connection with this land, an agreement on mutual relations and the establishment of general superficies was signed in 2014 with the Ministry of Infrastructure and Spatial Planning under which the company obtained superficies on 248 hectares of land owned by the state (explained in detail in point 5.1.1 of the Financial Report). A minority of the remaining area is the airport's functional land, which will partly be assigned to use by other users of airport or operators of other infrastructure (Slovenia Control, the Ministry of Defence, the Ministry of the Interior, Adria Airways, Adria Airways Tehnika, etc.), while the majority of the land will remain under the management of the Ministry of Infrastructure and Spatial Planning as functional land and a secure zone.

Infrastructure

Activations increased the value of infrastructure by EUR 816,309 in 2016, and included the following major items:

in euros

	2016
Hot and cold water connections with expansion and modernisation of heating and cooling substations	250,184
Renovation of the existing T1 passenger terminal	218,293
Traffic regulation in front of the passenger terminal	208,761

Plant and equipment

Plant and equipment in the total amount of EUR 1,849,991 was activated in 2016. The majority of this amount comprises:

in euros

	2016
Computer equipment	561,730
Equipment for the expansion and modernisation of heating and cooling substations	267,555
X-ray scanners (7 items)	265,926
Electricity stations for charging aircraft with electricity	120,074
Pushback tractor	99,671

Property, plant and equipment in acquisition

Property, plant and equipment in acquisition amounted to EUR 5,551,649 as at 31 December 2016. The major investments in progress included in this amount were as follows:

in euros

	2016
New passenger terminal T2	2,161,286
Upgrade of the runway lighting system	1,361,611
Sewage collector for biological treatment plant	948,779
Commercial-logistics zone	326,980
Roads	273,832
Car parks	166,318
Renovation of the existing T1 passenger terminal	92,502

The investment in progress in the new T2 passenger terminal was disclosed in the company's books of account as at 31 December 2016 in the amount of EUR 2,161,286. A decision on construction has been left to the owner, Fraport AG. Fraport expressed an interest in including the existing project documentation in the planning of future terminal capacity at the airport. In light of the above, and given that all the requisite permits for the construction of T2 have been obtained, the company is maintaining the investment in the new passenger terminal as active, as the project is still attainable. It is thereby maintaining the possibility of an immediate expansion in infrastructure and the strengthening of the airport's competitive position in the international market.

5.1.3 INVESTMENTS IN ASSOCIATES

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

The investment in the associate is described in detail in Point 1.3.5 of the Business Report and Points 4.3 and 5.4.2 of the Financial Report.

5.1.4 NON-CURRENT FINANCIAL ASSETS

in euros

Non-current financial assets - available-for-sale financial assets	2016	2015
Bonds	302,000	714,320
Quoted shares	0	275,846
Mutual funds	0	1,578,468
Unquoted shares and participating interests	0	701,204
Total	302,000	3,269,838

The book value of available-for-sale assets disclosed as at 31 December 2016 (EUR 302,000) relates in its entirety to Slovenian government bonds maturing in 2018. They are measured at fair value, which corresponds to their published closing price as at 31 December 2016. Non-current financial assets are not pledged as collateral.

in euros

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

in euros

Available-for-sale financial assets 2015	Gross value	Value adjustment	Net value
Bonds	884,144	169,824	714,320
Quoted shares	431,000	155,154	275,846
Mutual funds	1,649,566	71,098	1,578,468
Unquoted shares and participating interests	754,409	53,205	701,204
Total	3,719,119	449,281	3,269,838

in euros

Change in impairment of non-current financial assets	2016	2015
Balance as at 1 January	449,281	378,183
Newly created impairments	72,147	71,098
Sales	153,371	0
Write-downs	73,089	0
Balance as at 31 December	294,968	449,281

In 2016 the company sold 5,121 shares in Gorenjska banka d.d. (disclosed under unquoted shares and participating interests), all of its investments in mutual funds, and shares in one of Slovenia's largest quoted firms. It generated gains of EUR 934,556 on these sales, which was disclosed under finance income.

in euros

Changes in 2016	1 Jan 2016	Revaluation	Impairment	Sales	Transfer to current financial assets	31 Dec 2016
Bonds	714,320	-23,952	0	0	388,368	302,000
Quoted shares	275,846	-14,879	208	260,759	0	0
Mutual funds	1,578,468	61,545	0	1,640,013	0	0
Unquoted shares and participating interests	701,204	0	71,939	629,265	0	0
Total	3,269,838	22,714	72,147	2,530,037	388,368	302,000

in euros

Changes in 2015	1 Jan 2015	Revaluation	Decrease	Impairment	Transfer from current financial assets	Transfer to current financial assets	31 Dec 2015
Bonds	806,911	-3,346	78,319	0	159,815	170,741	714,320
Quoted shares	276,837	-991	0	0	0	0	275,846
Mutual funds	1,580,792	68,774	0	71,098	0	0	1,578,468
Unquoted shares and participating interests	745,370	0	44,166	0	0	0	701,204
Total	3,409,910	64,437	122,485	71,098	159,815	170,741	3,269,838

Effect of financial assets on equity and profit or loss

in euros

Effect of financial assets on equity in 2016 (changes in revaluation surplus from financial assets)	1 Jan 2016	Revaluation	Transfer to finance income	Effect of increase in tax rate	31 Dec 2016
Bonds (non-current and current)	53,919	-63,129	10,500	0	-19,710
Quoted shares	158,519	-14,879	143,640	0	0
Mutual funds	181,290	61,545	242,835	0	0
Total	393,728	-16,463	396,975	0	-19,710
Adjustment for deferred tax liabilities	66,934	-2,799	67,486	-394	-3,745
Revaluation of surplus from financial assets	326,794	-13,664	329,489	394	-15,965

in euros

Effect of financial assets on equity in 2015 (changes in revaluation surplus from financial assets)	1 Jan 2015	Revaluation	Transfer to finance income	31 Dec 2015
Bonds (non-current and current)	82,015	-8,279	19,817	53,919
Quoted shares	159,509	-990	0	158,519
Mutual funds	112,516	68,774	0	181,290
Total	354,040	59,505	19,817	393,728
Adjustment for deferred tax liabilities	60,187	10,116	3,369	66,934
Revaluation of surplus from financial assets	293,853	49,389	16,448	326,794

in euros

Effect of financial assets on profit or loss	2016	2015
Capital gains on sale of shares and mutual bonds	934,556	24,634
Interest on bonds	37,537	46,790
Dividends on quoted shares	29,299	29,280
Interest on short-term deposits	16,857	18,701
Capital gains on redemption of bonds	10,500	19,817
Interest on loans to others	0	68,480
Interest on long-term deposits	0	39
Total revenues	1,028,749	207,741
Expenses from impairments of financial assets	72,147	71,098
Interest on loans	0	9,978
Commission on financial assets	555	620
Total expenses	72,702	81,696

5.1.5 DEFERRED TAX ASSETS

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

in euros

Deferred tax assets and deferred tax liabilities	2016	2015
Deferred tax assets	581,587	524,157
Deferred tax liabilities	-3,745	66,933
Netted deferred tax assets	585,332	457,224

in euros

Deferred tax assets, from:	2016	2015
Impairment of current operating receivables	195,772	196,302
Provisions for jubilee benefits and termination benefits	144,438	119,326
Impairment of the investment in associates	118,928	106,410
Amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO	66,346	25,689
Impairment of financial assets	56,103	76,430
Total	581,587	524,157

in euros

Deferred tax liabilities, from:	2016	2015
Revaluation of financial assets to fair value	-3,745	66,933

5.1.6 CURRENT FINANCIAL ASSETS

in euros

Current financial assets	2016	2015
Bonds	374,091	109,924
Short-term deposits at banks	0	17,268,616
Total	374,091	17,378,540

Current financial assets are not pledged as collateral.

in euros

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

in euros

Current financial assets 2015	Gross value	Value adjustment	Net value
Short-term deposits at banks	17,268,616	0	17,268,616
Bonds:	110,234	310	109,924
- of which principal	84,311	0	84,311
- of which interest	25,923	310	25,613
Total	17,378,850	310	17,378,540

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

5.1.7 CURRENT OPERATING RECEIVABLES

in euros

Current operating receivables	2016	2015
Current trade receivables	2,936,519	3,306,000
Current receivables for advances given	68,584	12,870
Other current receivables	141,571	796,531
Total	3,146,674	4,115,401

in euros

Current operating receivables 2016	Gross value	Value adjustment	Net value
Current trade receivables	4,003,693	-1,067,174	2,936,519
Current receivables for advances given	68,584	0	68,584
Other current receivables	141,571	0	141,571
Total	4,213,848	-1,067,174	3,146,674

in euros

Changes in impairment of receivables	2016	2015
Balance as at 1 January	1,160,160	653,675
Creation via operating expenses	35,926	655,612
Creation via decrease in operating revenues	31,403	0
Payments received of already impaired receivables	-296	-5,904
Receivables written off	-160,019	-143,223
Balance as at 31 December	1,067,174	1,160,160

in euros

Other current receivables	2016	2015
VAT assets	116,647	128,649
Receivables for corporate income tax prepayment	0	558,239
Other current receivables	24,924	109,643
Total	141,571	796,531

5.1.8 CASH AND CASH EQUIVALENTS

Cash in the total amount of EUR 26,095,394 relates to cash in bank balances (EUR 26,051,393) and cash on hand (EUR 44,001).

5.1.9 EQUITY

Equity amounted to EUR 102,385,495 as at 31 December 2016, up 2.3% or EUR 2,274,599 on 31 December 2015. It accounted for 87.7% of total equity and liabilities (compared with 88.9% as at 31 December 2015). The company did not hold any share in treasury or any authorised capital as at 31 December 2016, and the owner did not pass any resolution to increase the nominal capital. The changes in equity in 2016 and 2015 are disclosed in the statement of changes in equity (point 3.4 of the Financial Report).

The nominal capital was unchanged from 31 December 2015 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	2016	2015
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	2016	2015
Revaluation surplus on available-for-sale financial assets (minus deferred tax liabilities)	-15,965	326,794
Unrealised actuarial loss from post-employment benefits (Note 5.1.10)	-161,020	-103,210
Total	-176,985	223,584

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

Retained earnings

Retained earnings in the amount of EUR 18,498,321 comprise the residual distributable profit for 2015 in the amount of EUR 9,450,609 (minus the realised actuarial loss from post-employment benefits in the amount of EUR 1,586 in 2016) and net profit from 2016 in the amount of EUR 9,047,712.

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	2016	2015
Net profit for the period	9,047,712	8,441,597
+ retained earnings	9,450,609	7,381,557
= distributable profit	**18,498,321**	**15,823,154**
- payment to owner		6,370,959
= remaining distributable profit		9,452,195

5.1.10 PROVISIONS AND NON-CURRENT ACCRUALS AND DEFERRED INCOME

Provisions and non-current accruals and deferred income in the total amount of EUR 1,634,337 relate to:

- provisions for employee termination benefits and jubilee benefits, the requisite amount of which was determined by actuarial calculation (EUR 1,271,221),
- 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 100,669; the amount of the draw-down is the depreciation charge for these assets in 2016 (other operating revenues are disclosed in the same amount),
- long-term deferred income from EU funding received for co-financing the IAOP project (EUR 178,147),
- deferred income from easement acquired free-of-charge on government-owned land on which the Šenčur anti-noise barrier was planted (EUR 84,300).

Provisions for termination benefits and jubilee benefits were created in the amount of estimated future commitments for termination benefits and jubilee benefits, discounted to the balance sheet date. The calculation was made for each employee, taking into account the costs of termination benefits and the cost of all expected jubilee benefits until retirement. The calculation allows for growth in the amounts of retirement benefits and jubilee benefits set out in the decree on the treatment of the reimbursement of costs and other employment earnings for tax purposes in the amount of 2.2% in 2017 and 2.5% annually in subsequent years.[2] The forecast staff turnover at the company and projected wage growth have been taken into account. The selected annual discount rate is 1.7%, 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 2016	Balance as at 1.1.2016	Utilisation	Formation	Actuarial loss	Balance as at 31.12.2016
Provisions for jubilee benefits	366,899	31,021	30,275	10,190	376,343
Provisions for termination benefits	793,866	12,189	53,806	59,395	894,878
Long-term deferred income: grants for property, plant and equipment	103,496	2,827	0	0	100,669
Long-term deferred income: EU funds for co-financing IAOP project	0	0	178,147	0	178,147
Long-term deferred income: free-of-charge acquisition of easement on government-owned land (anti-noise barrier)	0	0	84,300	0	84,300
Total	1,264,261	46,037	346,528	69,585	1,634,337

in euros

Changes in 2015	Balance as at 1.1.2015	Utilisation	Formation	Unrealised actuarial gain/loss	Balance as at 31.12.2015
Provisions for jubilee benefits	383,881	33,318	16,336	0	366,899
Provisions for termination benefits	860,723	39,773	58,361	-85,445	793,866
Long-term deferred income: grants for property, plant and equipment	115,243	11,747	0	0	103,496
Total	1,359,847	84,838	74,697	-85,445	1,264,261

5.1.11 NON-CURRENT OPERATING LIABILITIES

in euros

Non-current operating liabilities	2016	2015
Liabilities under the general agreement on superficies (Note 5.1.1)	6,612,855	6,687,727
Liabilities for municipal charge for North Car Park	345,604	345,604
Liabilities for superficies for aircraft maintenance hangar	67,271	68,505
Trade payables for security deposits	6,842	0
Total	7,032,572	7,101,836

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

5.1.12 CURRENT OPERATING LIABILITIES

in euros

Current operating liabilities	2016	2015
Current trade payables	2,450,266	1,854,437
Current liabilities for advances	81,968	19,150
Current liabilities for security deposits	155,547	578,009
Current liabilities to employees	1,016,484	1,038,362
Current liabilities for income tax expense	1,135,264	0
Current portion of liabilities under the general agreement on superficies (Note 5.1.1)	387,190	387,190
Current liabilities for unpaid dividends	94,420	99,739
Other current liabilities	66,477	42,190
Total	5,387,616	4,019,077

5.1.13 CONTINGENT ASSETS AND LIABILITIES

in euros

Contingent assets and liabilities	2016	2015
Contingent assets, from:	3,203,123	1,844,349
- Received quarantees	1,750,056	1,650,094
- Received declarations of surety	1,400,000	0
- Received bills of exchange	0	110,041
- Receivables from default interest	53,067	84,214
Contingent liabilities, from:	1,408,111	273,882
- Quarantees given	1,384,503	269,782
- Sureties issued	23,608	4,100

5.2 NOTES TO THE INCOME STATEMENT

5.2.1 OPERATING REVENUES

in euros

Operating revenues	2016	2015
Net sales revenue, from:	35,990,655	34,816,006
- Revenues from domestic sales of services	23,690,621	23,925,854
- Revenues from sales of services to the rest of the world	12,298,255	10,889,607
- Revenues from domestic sales of materials	1,779	545
Other operating revenues	77,913	83,059
Total	36,068,568	34,899,065

5.2.2 Operating expenses

in euros

Operating expenses	2016	2015
Costs of materials	1,642,792	1,542,951
Cost of services	7,428,792	6,771,690
Labour costs	12,529,015	12,613,242
Depreciation and amortisation	4,075,115	3,958,263
Other operating expenses	414,751	870,626
Total	26,090,465	25,756,772

in euros

Costs of materials	2016	2015
Electricity	488,576	539,686
Non-durables	310,249	234,616
Materials for current maintenance	233,046	178,845
Motor fuel	171,864	187,078
Heating oil	162,571	194,476
Small inventory (work clothes and protective means)	136,410	77,699
Other costs of materials	140,076	130,551
Total	1,642,792	1,542,951

in euros

Cost of services	2016	2015
Security costs	1,770,747	1,779,626
Maintenance costs	959,982	935,853
Advertising costs	874,334	835,066
Intellectual services	805,967	367,113
Services related to the performance of the company's basic activity	539,672	545,495
Services of the Civil Aviation Agency	417,050	371,836
Work through students service	337,622	379,808
Insurance premiums	314,321	197,243
Healthcare services	218,253	206,089
Leasing costs	206,244	223,382
Other services	984,600	930,179
Total	7,428,792	6,771,690

in euros

Labour costs	2016	2015
Wages	8,934,751	8,820,167
Social security costs	1,607,670	1,492,510
Reimbursement of meal expenses	532,952	535,055
Reimbursement of travel expenses	458,431	460,120
Annual leave payment	458,068	449,893
Supplementary pension insurance	321,092	328,846
Creation of provisions for termination benefits and jubilee benefits	70,321	48,667
Already included costs of unused leave as at 31 December	39,186	51,644
Other labour costs	106,544	426,340
Total	12,529,015	12,613,242

in euros

Depreciation and amortisation	2016	2015
Amortisation of intangible assets	392,596	378,843
Depreciation of property, plant and equipment	3,682,519	3,579,420
Total	4,075,115	3,958,263

in euros

Other operating expenses	2016	2015
Loss on sale/elimination of non-current assets	127,032	19,907
Compensation for the use of building right	111,599	111,645
Creation of impairments of receivables	35,926	652,859
Other expenses	140,194	86,215
Total	414,751	870,626

5.2.3 FINANCE INCOME AND EXPENSES

in euros

Finance income	2016	2015
Capital gains from the sale of shares and mutual funds	934,556	520,544
Interest on bonds and deposits	54,394	65,530
Dividends	29,299	29,280
Default interest	21,939	8,536
Capital gains on redemption of bonds	10,500	19,817
Exchange rate differences	1,815	14,195
Interest on loans to others	0	68,480
Other finance income	59	23
Total	1,052,562	726,405

in euros

Finance expenses	2016	2015
Interest on superficies*	315,231	318,682
Impairment of financial assets	72,147	71,098
Interest on provisions for termination benefits and jubilee benefits	25,967	26,580
Interest on loans	0	9,978
Other operating expenses	5,618	33,068
Total	418,963	459,406

* general agreement on superficies (EUR 312,317) and superficies for aircraft maintenance hangar (EUR 2,914)

5.2.4 INCOME TAX EXPENSE AND DEFERRED TAX

in euros

Income tax expense and deferred tax	2016	2015
Income tax expense levied	1,621,421	530,353
Deferred tax	-57,431	437,343
Total	1,563,990	967,696

in euros

Effect of deferred tax on performance	2016	2015
Change in deferred tax assets from impairment of financial assets	7,809	547,448
Change in deferred tax assets from impairment of trade receivables	530	-86,148
Change in deferred tax assets from provisions for jubilee benefits and employee termination benefits	-25,112	1,732
Change in deferred tax assets from amortisation and depreciation charged in excess of the tax-deductible amount recognised under the ZDDPO	-40,657	-25,689
Total	-57,430	437,343

5.2.5 OTHER COMPREHENSIVE INCOME FOR THE PERIOD

in euros

Statement of comprehensive income	1.–12.2016	1.–12.2015
Items that could subsequently be reclassified to profit or loss	**-342,758**	**32,941**
Net gain/(loss) recognised as revaluation surplus in connection with available-for-sale financial assets	**-413,437**	**39,688**
- gain/(loss) recognised as revaluation surplus	-16,463	59,505
- transfer of gain/(loss) from revaluation surplus to profit or loss	-396,974	-19,817
Corporate income tax in connection with items that could subsequently be reclassified to profit or loss	**70,679**	**-6,747**
- in connection with gain/(loss) recognised as revaluation surplus	3,193	-10,116
- in connection with transfer of gain/(loss) from revaluation surplus to profit or loss	67,486	3,369
Items that subsequently will not be reclassified to profit or loss	**-57,811**	**94,584**
Unrealised actuarial profit/loss from post-employment benefits	-59,397	85,444
Realised actuarial loss (after payment of post-employment benefits)	1,586	9,140
Total	**-400,569**	**127,525**

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

5.3 FINANCIAL RISKS

Credit risk

in euros

Company's maximum exposure to credit risk	2016	2015
Non-current financial assets	302,000	3,269,838
Current financial assets	374,091	17,378,540
Non-current operating receivables	59,873	59,873
Current operating receivables	3,146,674	4,115,401
Cash and cash equivalents	26,095,394	979,855
Total	29,978,032	25,803,507

in euros

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

in euros

Structure of financial assets by maturity as at 31.12.2015	Up to three months	Three months to one year	One to five years	Over five years	Total
Non-current financial assets	0	0	714,320	2,555,518	3,269,838
Current financial assets	17,268,616	109,924	0	0	17,378,540
Current operating receivables	4,039,362	75,837	202	0	4,115,401

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

Liquidity risk

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

in euros

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

in euros

Structure of liabilities by maturity as at 31.12.2015	Up to three months	Three months to one year	One to five years	Over five years	Total
Current operating liabilities	4,019,077	0	0	0	4,019,077
Non-current operating liabilities	0	2,391	673,165	6,426,280	7,101,836
Provisions and non-current accruals and deferred income	707	77,041	197,077	989,436	1,264,261

Interest rate risk

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

Currency risk

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

Fair value

The financial assets and liabilities disclosed in the table below are, with the exception of available-for-sale financial assets, measured at historical cost or amortised cost, which is assumed to be the same as the fair value of the assets or liabilities.

The book value of available-for-sale financial assets is the same as the fair value. These financial assets are according to the hierarchy allocated into Level 1: financial assets valued at quoted prices in an active market as at the final day of the accounting period,

in euros

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

in euros

Classification of financial instruments at fair value as at 31 December 2015	Level 1	Level 3	Total
Non–current financial assets – available–for–sale financial assets	2,568,634	701,204	3,269,838
Non–current operating receivables	0	59,873	59,873
Current financial assets	84,311	17,294,229	17,378,540
Current operating receivables	0	4,115,401	4,115,401
Non–current operating liabilities	0	7,101,836	7,101,836
Current operating liabilities	0	4,019,078	4,019,078

5.4 OTHER EXPLANATORY NOTES

5.4.1 SIGNIFICANT EVENTS AFTER THE END OF 2016

An agreement was signed on 13 January 2017 for the purchase of an aircraft garaging hangar for general aviation.

5.4.2 RELATIONS WITH AFFILIATES

The company's affiliates are all the companies in the Fraport Group, and Aerodrom Portorož, d.o.o.

Transactions with companies in the Fraport Group

In 2016 certain transactions were executed with the controlling company Fraport AG, and are disclosed in the table below. No transactions were executed with other companies in the Fraport Group in 2016.

in euros

Transactions with the controlling company Fraport AG	2016
Operating revenues	1,795
Operating expenses	517,783
Acquisition of non-current assets	31,963

The company disclosed liabilities to Fraport AG in the amount of EUR 167,480 as at 31 December 2016.

Transactions with associate Aerodrom Portorož, d.o.o

The investment in the associate Aerodrom Portorož, d.o.o is described in detail in Points 4.3 and 5.1.3 of the Financial Report.

The company did not disclose any receivables from or liabilities to Aerodrom Portorož, d.o.o. as at 31 December 2016.

The company generated operating revenues of EUR 2,114 with Aerodrom Portorož, d.o.o. in 2016.

No transactions were executed between the companies in 2016 that realised any operating expenses for Aerodrom Ljubljana, d.o.o.

5.4.3 REMUNERATION OF MANAGEMENT IN 2016

The remuneration of the general manager and the procurator amounted to EUR 305,331 in 2016. The aforementioned amount relates to gross salary, reimbursement of meal expenses, leave allowance and fringe benefits.

The company did not approve any advances or loans or provide any guarantees for the management in 2016, nor did it disclose any receivables or liabilities vis-à-vis the management as at 31 December 2016, other than wages and salaries from December, which were paid in January 2017.

5.4.4 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.

5.4.5 TOTAL PAYMENTS TO AUDITORS

In 2016 the company paid EUR 19,000 for auditing and EUR 12,080 for advisory services.