



CROATIA
CONTROL

ANNUAL REPORT 2023



CROATIA CONTROL LTD.

ANNUAL REPORT 2023



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MESSAGE FROM THE DIRECTOR GENERAL



RECORD NUMBER OF FLIGHTS

I am very pleased to present our accomplishments in 2023, which was a very successful year for Croatia Control (CCL). Air traffic across the European aviation network continued to recover despite the ongoing impact of geopolitical crises, and this resulted in 10.2 million flights in 2023, which is an increase of 10% when compared to 2022.

TRAFFIC GROWTH OF 14%

In Croatian controlled airspace, CCL's air traffic controllers handled almost 812,000 aircraft movements – an increase of 14%, which represents a strong continuation of the growth from the previous year. These figures indicate a strong trend in the air traffic expansion and connectivity on the South East Axis on which Croatia is located.

The increase in air traffic, especially in en route flights, had a positive impact on financial performance. CCL earned almost EUR 128 million in total revenues, while 2023 resulted in the profit for the year of EUR 21.1 million before tax.

Despite a growing volume of air traffic in Croatian airspace with 100 thousand flights more than in the previous year, CCL maintained high safety standards of the services provided; it also managed to reduce en route delays regardless of frequent extreme weather events.

MODERNIZATION OF ATM SYSTEM AND SUSTAINABILITY

In 2023, our focus was on the implementation of strategic investments, most of them in state-of-the-art technology. The upgrade of the harmonized TopSky ATM system was launched in cooperation with the COOPANS Alliance members, supported by the implementation of several technical projects aimed at enhancing air traffic flow efficiency.

We are dedicated to minimizing the environmental footprint of aviation and advancing sustainable business practices. By further extending the cross-border free route operations, and the implementation of the performance-based navigation (PBN) concept and route design, we take appropriate actions to minimize our impact on the environment, such as reducing fuel consumption and greenhouse gas emissions.

EMPLOYEES AND EU CO-FINANCED PROJECTS

2023 was a year of significant recruitment activity needed to address the air traffic growth, increased project activities, and growing regulatory requirements. Given the higher traffic and adequate capacity demands, our priority is an integrated training system for all types of ATCOs and other operational staff. We continuously invest in the professional development, education, and excellence of our employees as prerequisites for providing safe and high-quality services.

CCL's representatives take part in various international organizations and alliances such as COOPANS and FAB CE. The year 2023 was very successful regarding the preparation of projects to be funded by the EU. Together with our COOPANS partners, CCL was granted funding for three projects co-funded by the EU. This is a significant achievement for COOPANS members, enabling the Association to invest in research and development through the collaboration with key service providers, suppliers, and institutions across Europe and beyond.

NEW CHALLENGES

In the coming years, we have to invest in the new ATM system to ensure that it is able to handle the growing air traffic volumes. In collaboration with the COOPANS partners from Ireland, Sweden, Denmark, Austria, and Portugal, this system will be put into operation in the coming years. It represents the technological foundation for the introduction of new air traffic control methods and tools.

To manage the significant traffic increase (including the increased number of military flights) and flights rerouted due to the ongoing war in Ukraine, it is essential to continue developing our employees and working on enhancing our resilience and keeping the high quality of our services for both civil and military users, with an emphasis on air traffic safety, security, and efficiency.

Finally, we have to incorporate all of these aspects in the new Performance Plan for the 4th Reference period, with the goal to reach all the targets set by the European Commission.

Director General



Mario Kunovec-Varga

COMPANY PROFILE

HISTORY

Croatia Control Ltd. (CCL) is an air traffic service provider fully owned by the Republic of Croatia.

CCL's priority is to provide safe, efficient and ecologically acceptable ANS to civil and military users in airspace over Croatia, as well as in airspace above the eastern part of Adriatic and the northwestern part of Bosnia and Herzegovina.

CCL ensures a high level of air traffic safety according to the Single European Sky legal framework and develops and uses state-of-the-art technology to increase the efficiency of air traffic.

CCL was founded in 1998, a year after Croatia's accession to Eurocontrol. Before 1998, the Air Traffic Services Authority as a part of the Ministry of Transport was responsible for the provision of ANS in Croatia.

MISSION & VISION

Our mission is to provide safe and quality air navigation services to the complete satisfaction of our users and owners. We will achieve our mission by cooperating with our partners in the European air traffic management network and fostering highly qualified employees and a motivating environment.

We strive to be among the leading air navigation service providers in Central Europe. We will achieve our vision through a flexible organization, adapting to the needs of our users.

ORGANIZATIONAL VALUES

The values we nurture make our team successful and us an excellent employer:

→ **Safety and Quality**

» Safety always comes first.

→ **Excellence**

» We create added value for all stakeholders.

→ **Adaptability**

» We choose actions responsibly in different situations.

→ **Cooperation and Teamwork**

» We cherish cooperation and partnership with all stakeholders.

→ **Boldness and Development**

» We accept new challenges and strive for overcoming obstacles or achieving something of value.

CORE BUSINESS

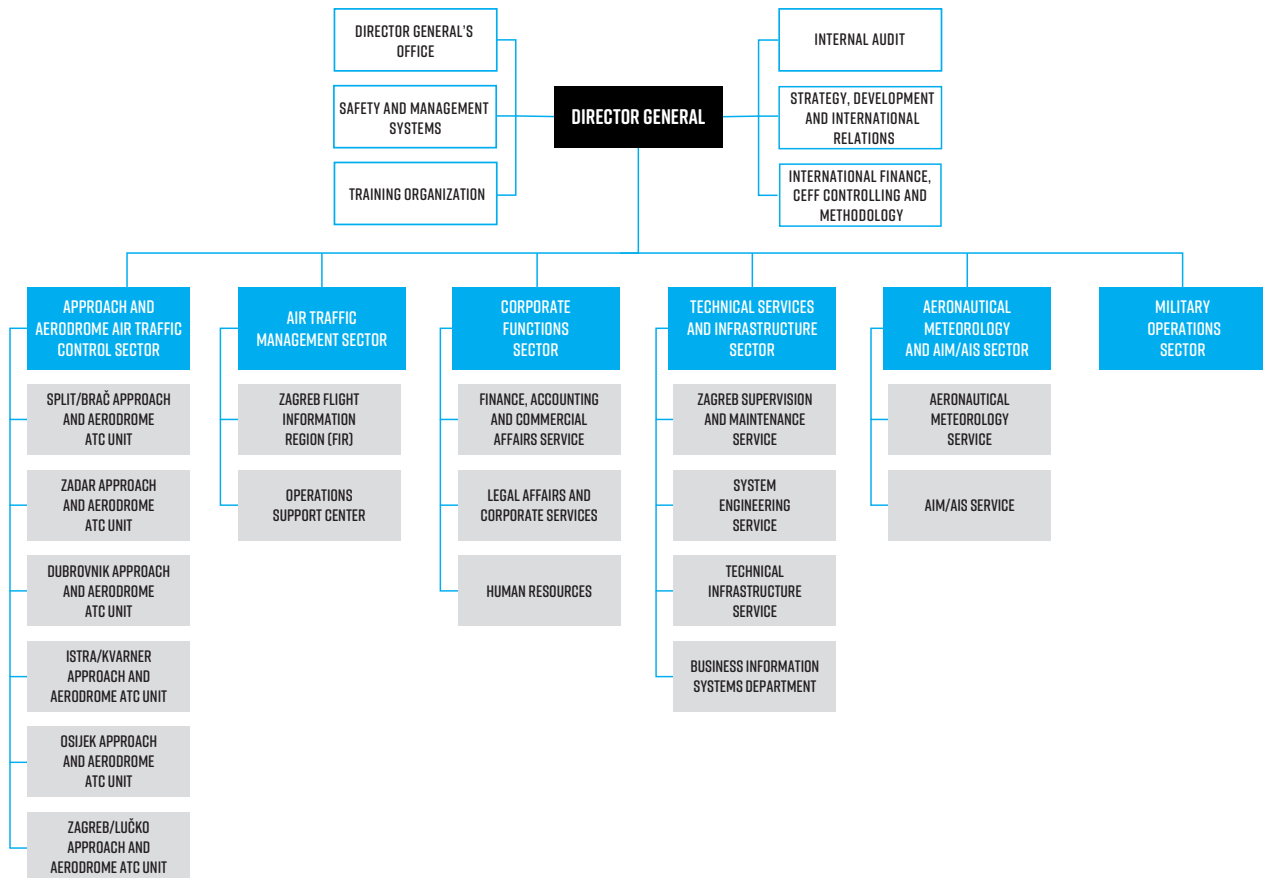
CCL is certified for the provision of the following services and functions:

- Air Traffic Services (ATS)
- Communication, Navigation and Surveillance Services (CNS)
- Aeronautical Information Services (AIS)
- Aeronautical Meteorological Services (MET)
- Flight Procedure Design Services (FPD)
- Airspace Management (ASM)
- Air Traffic Flow Management (ATFM).



ORGANIZATIONAL STRUCTURE

The company is headquartered in Velika Gorica, and has six regional ATC units (Zagreb/Lučko, Istra/Kvarner, Zadar, Split/Brač, Dubrovnik and Osijek) responsible for the provision of approach and aerodrome ATC, technical support, MET and administrative services.



INTERNATIONAL COOPERATION

High priority is given to international relations and participation in various international alliances.

COOPANS

COOPANS is an international partnership between ANSPs of Austria (Austro Control), Croatia (Croatia Control), Denmark (Naviair), Ireland (Airnav Ireland), Portugal (NAV Portugal) and Sweden (LFV).

The COOPANS Alliance capitalizes on joint and harmonized system development between members and positively influences the European environment to operate a world-class, safe, sustainable and cost-effective system. COOPANS Alliance is considered as the leading example of such industrial partnership in Europe. COOPANS continuously performs the synchronized deployment of harmonized software at all 8 ACCs across 6 ANSPs.

In the year 2023 should be highlighted:

- ➔ The software upgrade B3.8+ has been verified, validated, and put into operational use, updating the system with a new version of the operating system that includes improvements in cybersecurity, aiming to maintain compliance with the NIS directive and replace outdated components.
- ➔ Factory and on-site testing for Build 3.9, which introduces the new Tactical Controller Tool (TCT), have been completed, contributing significantly to safety and capacity in the Free Route Airspace (FRA) environment. B3.9 also includes a comprehensive system capacity increase to support the expected traffic growth until the planned upgrade in 2028. The build is scheduled for activation in 2024.
- ➔ The implementation of the contract for Build 3.10, which includes further cybersecurity enhancements and SWIM functionality upgrades, has begun.
- ➔ A standalone contract has been signed for the replacement of the outdated hardware and network equipment.
- ➔ The requirements definition for a comprehensive ATM system upgrade with advanced functionalities and a modern technological platform has been completed. Due to the size and complexity, the contract signature, originally planned for the end of 2023, is now expected in summer 2024 without significant impact on the initially agreed schedule. The technological solutions of the upgraded system, named TopSky-ATC One, are expected to address the challenges of traffic growth, increased safety needs, and compliance with European Commission development guidelines and regulatory requirements, particularly the CP-1 regulation.

SESAR 3 JU

COOPANS has signed agreements with SESAR 3 JU for the ATC TBO and ISLAND innovation and development projects, and with the European agency CINEA for CEF for the EXODUS and Clean ATM projects (implementation of CP-1 regulatory requirements).

The EXODUS Digital Sky Demonstrator (DSD) project will showcase business continuity scenarios in various airspaces using a new operational model based on the geographical separation of ANS and ADSP services. The project is co-financed with up to 34 million EUR and entails establishing an innovation platform.

A6 Alliance

CCL is through COOPANS Alliance also a member of the A6 Alliance. The A6 Alliance works with SESAR and is a part of both SESAR JU, which works on the development of new systems and procedures for modernizing the European ATM system, and SESAR Deployment Manager, which works on the implementation of the new systems and procedures in Europe.

Gate One

Gate One is a cooperation of 13 ANSPs grouped into 3 FABs (FAB CE, Baltic FAB, Danube FAB) and 2 non-EU FIRs (Belgrade and Skopje). Its purpose is promoting efficient European ATM, strengthening the cooperation of ANSPs and facilitating the stronger and better coordinated representation of the countries in European decision-making processes.

CANSO

CCL operates within CANSO Europe and actively participates in the work of various committees. Civil Air Navigation Service Organization is recognized as a global voice of the ATM industry and represents the views and interests of members at relevant European and international institutions and on a range of contemporary issues across the industry.

MET Alliance

MET Alliance is a group of national aeronautical meteorological service providers from Austria, Belgium, Germany, Ireland, Switzerland, the Netherlands, France, Luxembourg and Croatia.

Sharing the knowledge and common resources is the way in which MET Alliance wants to improve and rationalize the provision of aeronautical meteorology services.

FAB CE

The Functional Airspace Block Central Europe is a joint initiative of Croatia, Austria, Bosnia and Herzegovina, Hungary, the Czech Republic, Slovakia, Slovenia and their ANSPs. The establishment of FABs is an obligation arising from an interstate agreement under the SES regulation. The aim of this regional association is to increase air traffic safety, reduce delays and costs for airspace users and protect the environment.

During 2023 as part of the implementation of the FAB CE Strategy and the High-Level Plan, a certain number of activities/projects were initiated in the operational, technical and human-resource domains.

Activities and projects in the operational domain relate to the: harmonization of the FAB CE airspace development in accordance with the European Airspace Architecture study, implementation of harmonized ATFCM solutions and improvements for FAB CE Network performance, harmonization of flexible airspace structures (TSA/TRA), exchange of best practices and compliance of U-Space airspace implementation, including development of data sharing standards and risk assessment methodology. FAB CE operational performance activities started with the development of ENV and OPS performance dashboards.

In the technical domain the cooperation focused on CNS infrastructure planning activities, SWIM deployment information sharing, regional data network evolution and, as a some in activity, cooperation in spare parts management.

The most important activity related to the HR domain is an assessment and benchmarking of ATCO selection and training process at FAB CE Level. Social dialogue activities continued with numerous topics discussed at two social dialogue forums.



CORPORATE GOVERNANCE

CCL's governance structure comprises the Assembly, the Supervisory Board and the Management.

ASSEMBLY

The Assembly consists of:

- Oleg Butković, Vice President of the Croatian Government and Minister of the Sea, Transport and Infrastructure – President
- Marko Primorac, Minister of Finance – Member
- Mario Banožić, Minister of Defense – Member (until November 11, 2023)
- Ivo Anušić, Minister of Defense – Member (from November 16, 2023)

SUPERVISORY BOARD

The Supervisory Board monitors the activities of the Company. It appoints the Director General of the company on the basis of open competition for a period of five years. The Director General can be re-appointed for another term.

The Supervisory Board consists of five members, four of whom are appointed and may be recalled by the Assembly and one of whom is a company employee. Members can be re-appointed.

The members of the Supervisory Board are:

- Dora Matošić – President
- Davor Tretinjak – Member
- Mihovil Anđelinović – Member
- Željko Gojko – Member (elected by the employees)

MANAGEMENT AND EXECUTIVE DIRECTORS

- Mario Kunovec-Varga, Director General (appointed on April 13, 2023)
- Vlado Bagarić, Director General (until April 12, 2023)

Pursuant to the Act on the Establishment of Croatia Control Ltd. and the Articles of Association, the Company management is one person - Director General, who is appointed and recalled by the Supervisory Board of the Company. The Director General is appointed for a term of five years on the basis of public competition, and the same person may be re-appointed as the Director of the Company. The Director General defines business policy, adopts plans, decisions and other acts in accordance with his power, organizes and manages the business of the Company.

CCL is organized in 6 sectors, the largest of which are Approach and Aerodrome Air Traffic Control Sector and Air Traffic Management Sector. These sectors are in charge of the implementation of operations and central operations of air navigation services, particularly of air traffic control, alerting service, flight information and preflight information service, all aimed at safe, orderly and smooth operating of air traffic.

All sectors are managed by executive directors, who are responsible for their operation. The special organizational units of the Director's Office are independent offices managed by the Heads of Offices. Executive Directors are appointed by Director General for the period of three years which may be extended. Executive directors were appointed on November 1, 2022, when the new organizational structure came into force.

SECTOR	EXECUTIVE DIRECTOR
<p>Air Traffic Management Sector (ATM Sector)</p> <p>Area Control Center and Operations Support Center are the organizational units of the ATM Sector.</p>	<p>Dubravko Meco</p>
<p>Approach and Aerodrome Air Traffic Control Sector</p> <p>Approach and Aerodrome ATC Units, i.e. regional ATC units Split/Brač, Zadar, Dubrovnik, Istra/Kvarner, Osijek and Zagreb/Lučko are the organizational units within the Sector.</p>	<p>Jakša Žižak</p>
<p>Aeronautical Meteorology (MET) and AIM/AIS Sector</p> <p>The sector is responsible for the provision of aeronautical meteorology and aeronautical information services.</p>	<p>Amela Jeričević (until November 6, 2023)</p> <p>Igor Kos (from November 6, 2023)</p>
<p>Technical services and Infrastructure Sector</p> <p>The Sector's primary task is the continuous modernization of technical systems with the aim of increasing air traffic safety and improving the overall level of air traffic control and management services, as well as for the design, construction and supervision and investment maintenance of facilities and associated infrastructure.</p>	<p>Juraj Maštrović (until June 5, 2023)</p> <p>Jurica Baričević (from June 5, 2023)</p>
<p>Corporate Functions Sector</p> <p>This Sector performs centralized functions of managing financial, legal and corporate services. It also has the central role in human resources management.</p>	<p>Teo Bratinčević</p>
<p>Military Operations Sector</p> <p>This Sector is responsible to coordinate the provision of services to military aircraft with the Ministry of Defense.</p>	<p>Nedeljko Zmajić</p>

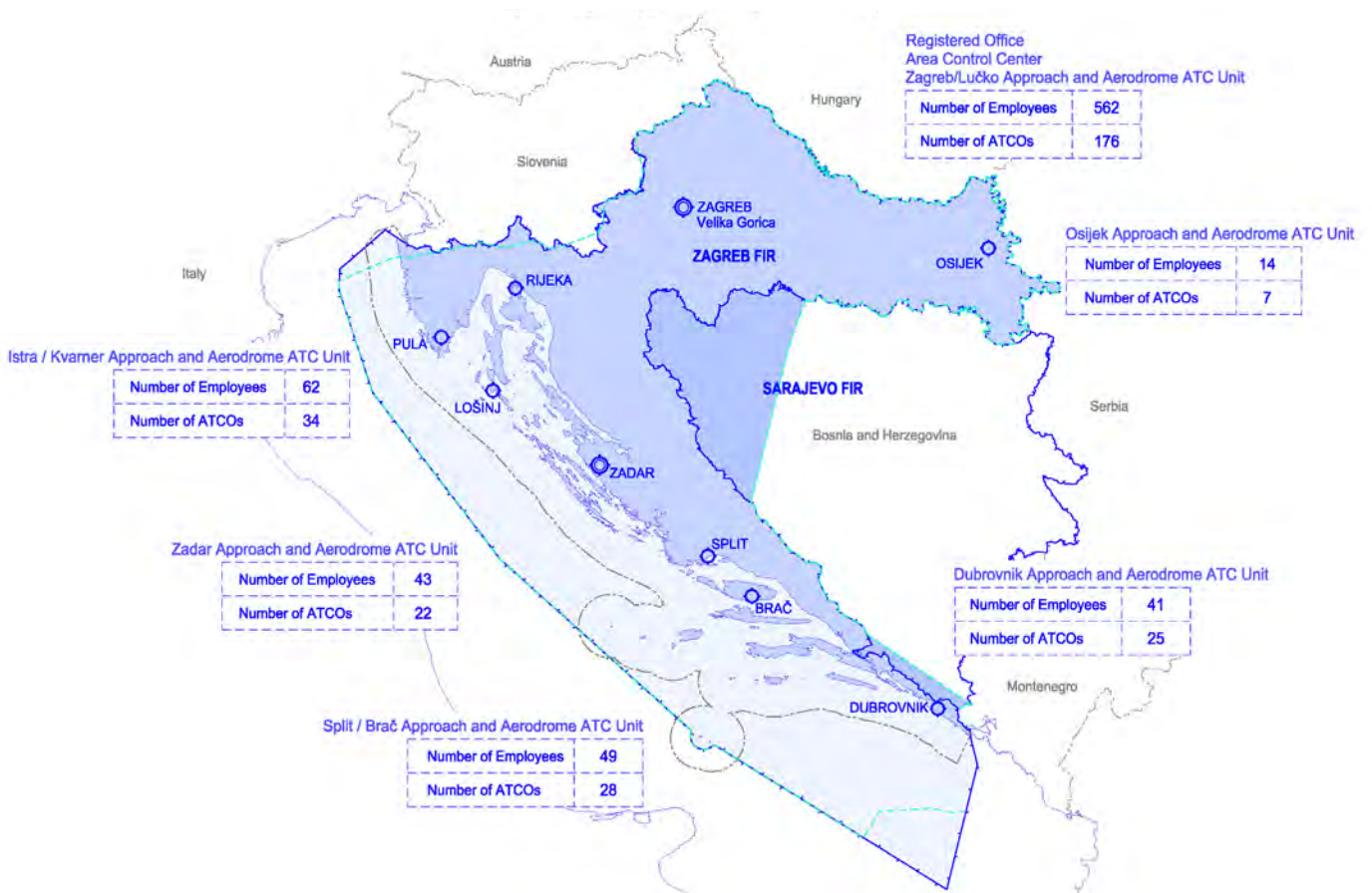


OPERATIONS AND INFRASTRUCTURE

OPERATIONAL UNITS

CCL's main operational units are as follows:

- Zagreb ATCC: Zagreb Air Traffic Control Center provides area control services for both Zagreb Control Area (CTA) and a part of the Control Area (CTA) in Sarajevo FIR. It also provides approach control services in Zagreb TMA.
- Zagreb/Lučko Aerodrome Control: provides tower control in Zagreb Control Zone and Lučko aerodrome Control Zone (CTR)
- five regional ATC units providing approach and tower control: Osijek, Istra/Kvarner, Zadar, Split/Brač, Dubrovnik)



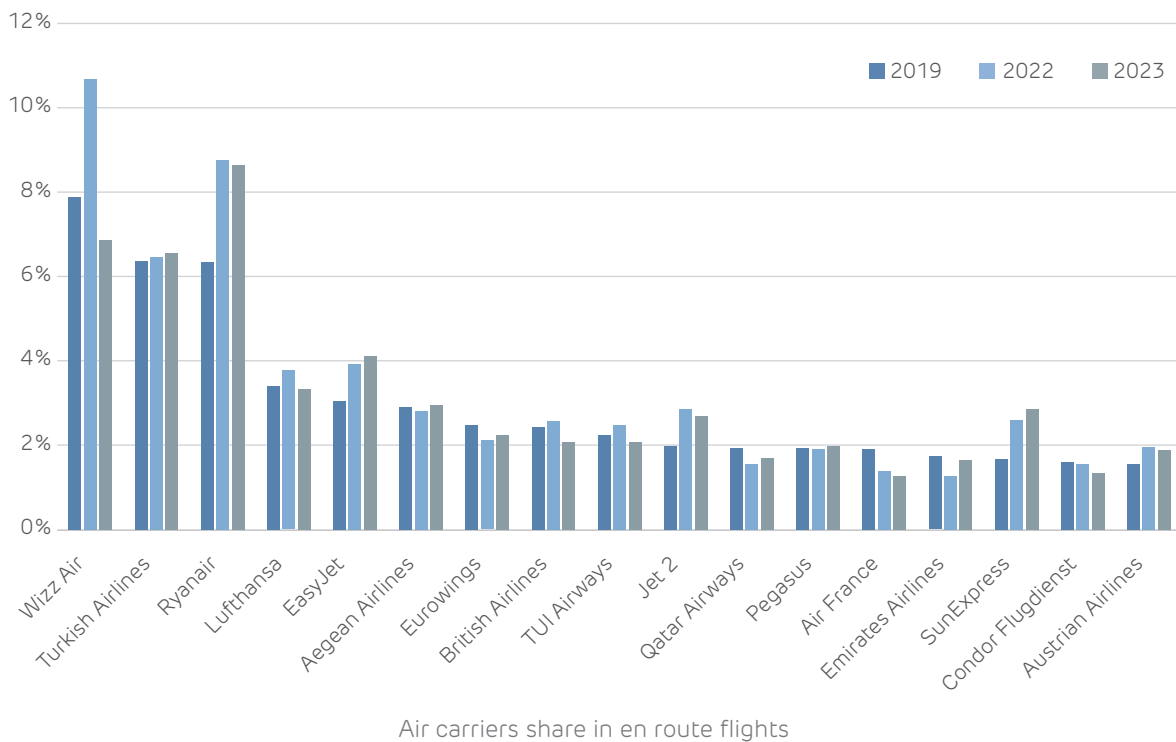
Area of responsibility for upper airspace (FL 285 - FL 660)

TRAFFIC FLOW

Some 8% of traffic in the network went through the Croatian airspace. En route flights, accounting for 86%, make up the largest part of the total traffic, while international departures and arrivals account for 13%, and domestic flights for only 1%. Major part of en route flights are our standard flows from West European states (United Kingdom and Germany in the first place) towards Greece and Turkey and back.

The number of en route flights in 2023 increased for 15% when compared to 2022. The analysis of traffic routes indicated that the largest number of flights in this category were those from Greece to United Kingdom and back, followed by flights from Germany to Turkey and back. Among other busier routes is the one between Germany and Turkey as well as the one between Italy and Romania. There was a significant increase in traffic between Germany and Egypt and between France and Turkey.

The carrier with the largest share in total traffic in 2023 was Ryanair, while in 2019 and 2022 it was Wizz Air.



The highest number of flights per day was recorded on July 29 2023 (Saturday) - the total number of 3514 flights (6% more than on the busiest day in 2022), while the average daily traffic grew to 2,230 flights (14.1% growth when compared to 2022).

OPERATIONAL IMPROVEMENTS

Operational improvements are planned through business activity in the regular process of annual planning of changes in CCL in order to meet the goals most often arising from regulatory requirements, but also from the requirements arising from agreements with cross-border partners, most often in terms of ATM system development or airspace development.

These improvements relate to the development of air traffic and are in ideal cases implemented before the expected circumstances occur.

The previously prepared changes aimed at improving operational implementation and efficiency did not have any effect in the pandemic years 2020 and 2021 due to reduced traffic demand and ubiquitous measures intended to limit the flow of passengers. For these reasons, the season 2022 is the first season for which the positive effects of implemented technological changes could be measured.

Another operational improvement arises from COOPANS cooperation in the area of ATM systems upgrade to version 3.8+ with the implementation of new functionalities for safer service provision and support to capacity optimization. Also Full OLDI (Online Data Interchange; a protocol for coordination and transfer of current flight data between adjacent air traffic control units) has already been introduced between Austro Control and Croatia Control in spring 2023.

Full OLDI enhances inter-ACC automation and interoperability, reduces verbal coordination between air traffic controllers and facilitates more traffic to be handled and user preferred routing. Whilst having OLDI implemented in COOPANS ANSPs for many years, Full OLDI is now utilizing the Full OLDI message set.

Full OLDI is an important stepping stone towards Trajectory Based Operations, where the planned trajectory is subject to a Collaborate Decision Making process involving all impacted stakeholders. In implementing Full OLDI, COOPANS members enable this process to take place among the involved air traffic control units, in the strategic and tactical horizons of the flight execution phase.

In 2023 procedure adjustment took place for Osijek and Lošinj Airport by adding new SID/STAR/IAC procedures. Changes were made for RNAV SID/STAR and RNP APCH procedures at several airports.

CIVIL-MILITARY COORDINATION



In Croatian airspace CCL is also responsible for the provision of services to the Ministry of Defense of the Republic of Croatia and its Air Force.

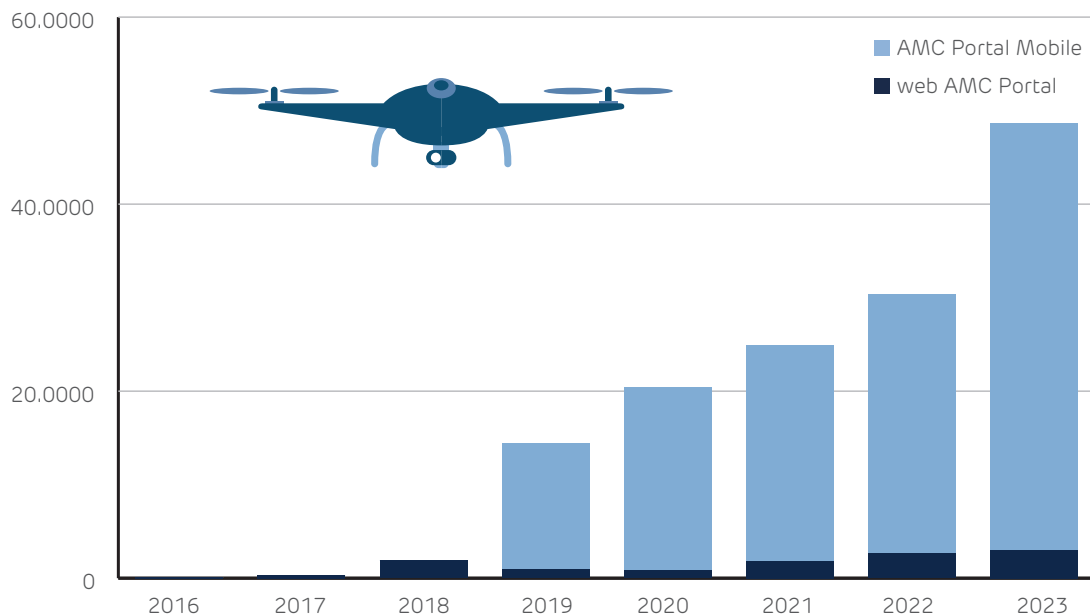
For the purpose of maintaining a high level of safety and quality, relevant air traffic data are regularly exchanged between these two parties, which is the basis for creating the conditions for an efficient protection of the airspace without affecting the safety of all users.

In order to enable more efficient and flexible use of the airspace, the civil-military Airspace Management Cell has been established.

UAS

For some years we've been witnessing a steady increase in reported UAS operations of civilian private and commercial users through the AMC Portal system. There has also been a noticeable trend in the growth of new ways of using UAS technology and exploring areas and concepts for their future application on a commercial basis.

The new Regulation on Airspace Management (it came into force in February 2023) defines UAS geographical zones with clearly regulated rules and restrictions relating to UAS operations in Croatia, especially in the vicinity of controlled airports. These rules and restrictions are implemented in AMC Portal and are clearly visible to all UAS users in accordance with the requirements of EU regulations.



The number of UAS operations via AMC Portal in the period 2016-2023

In order to maintain the level of safety of all airspace users and to reduce the adverse impact on air traffic, CCL has started proactively with the coordination of government UAS activities. Separate procedures have been developed for the purpose of carrying out the operational tasks of the Croatian emergency services via AMC Portal system. These procedures enable safe access to airspace in a very short time through rapid coordination of the relevant CCL organizational units.

Since 2019 CCL employees from ASM/UTM Department and MET Service held numerous training courses for more than 900 government employees (Ministry of the Interior, Croatian Mountain Rescue Service, Firefighting Service, Civil Protection etc.). Training courses cover safe use of airspace, meteorology applicable to UAS operations, planning procedures, coordination with airspace management entities and use of the AMC Portal.

The use of UAS by government users (Ministry of Defence, Ministry of the Interior, Civil Protection, Firefighting Service, Croatian Mountain Rescue Service etc.) significantly contributes to the protection of the state border, territorial sea, people and property, and sometimes it is crucial for the search and rescue of people and supervision and protection of infrastructure and natural resources of the Republic of Croatia.

ENVIRONMENT

CCL takes appropriate actions to decrease fuel consumption of airspace users by route design and the implementation of performance-based navigation (PBN) routes, together with the CDA/CCO.

In 2023 CCL continued with the implementation of the PBN concept of airspace based on performance requirements of aircraft, with the aim of creating the new approach/departure routes for area navigation in lower airspace and their connection to published approach procedures.

The expected benefits of PBN implementation are traffic flow optimization, reduction of greenhouse gasses emission, reduction of costs for the airline operators, reduction of workload for ATCOs, and increasing the predictability of flight operations.

CCL must enable the service users to take the shortest routes possible. For this reason, the target values were stipulated to be achieved by full FRA concept implementation. By its participation in SECSI FRA, CCL directly contributes to lowering the KEA inefficiency and enables the service users to take the shortest paths in a wider geographical area, thus reducing the fuel consumption and consequently reduction in CO₂ and NO_x emissions.

SECSI was initiated in 2016, and it encompasses airspace of Albania, Austria, Bosnia and Herzegovina, Croatia, Serbia, Montenegro, Slovenia, and North Macedonia. The cross-border initiative will be continued through its extension to the south.

It is also planned to connect SECSI FRA and FRACZECH to enable the unhindered connection to Central Europe in 2026, as well as to enable cross-border operations between SECSI FRA and SEE FRA (airspace of Bulgaria, Hungary, Romania, Slovakia, Moldavia, and the aforementioned Czech Republic) by the end of the decade, which would result in free flight planning on the territory of almost one third of Europe.



The savings are being measured four times a year, in line with predefined parameters. In 2023 the analyses of potential savings in CO₂ and NO_x emissions were measured on the following selected dates: January 20, April 14, August 25 and December 15 using the Eurocontrol's post-operational analysis NET Strategic Tool.

The simulation of traffic in en route network was done before and after the introduction of SECSI FRA. On the basis of comparison, the following possible savings per flight were calculated:

→ **69.37 kg of fuel**

→ **219.19 kg of CO₂**

→ **0.92 kg of NO_x.**

Within the framework of the Performance Plan (2019 - 2024), the target in the KPA of environment was set on the basis of KPI of en route horizontal flight efficiency of the actual trajectory - KEA. It is measured as average additional distance flown compared to the great circle distance.

The proposed target value for 2023 is set at 1.46%, which is actually a value that represents the inefficiency resulting from the comparison of the length of the en route part of the actual trajectory derived from the surveillance data and the achieved distance in the local airspace.

The calculation of this indicator is done by PRU, and it is published on PRU's web site. For 2023 the indicator was 1.57%, which is slightly higher than the proposed target value. Although the goal has not been reached, the inefficiency to the ideal trajectory is still acceptable taking into account the circumstances of high traffic growth and load on the capacities of Zagreb ACC sectors in the season.

TECHNICAL INFRASTRUCTURE

OVERVIEW OF INVESTMENTS

CCL made significant investments due to compliance with regulatory requirements and the need to enhance safety and quality of services and achieve performance targets. However, over the past few years, due to the COVID-19 pandemic, the air traffic developments and the challenging economic and political situation in Europe, the number of investments completed in 2023 was below the plan. CCL does everything in its power to narrow the gap between the actual and planned investments during RP3, so the latest estimates show that investment implementation in 2024 will be significantly above 2023.

The table below lists the main investment projects in 2023, compared with the annual business plan for 2023:

INVESTMENT PROJECT	BUSINESS PLAN FOR 2023 / '000 EUR	IMPLEMENTED IN 2023 / '000 EUR
Upgrade of COOPANS ATM system	2,847	2,865
Upgrade of other ATM systems	2,826	777
Voice communications projects, incl. the replay/recording systems	860	477
Modernisation of data communication systems	697	855
Upgrade and modernisation of telecommunication and network infrastructure	1,050	873
Implementation of automatic weather observation systems	2,632	531
Implementation of the national wide area multi-lateration surveillance system (WAM)	3,193	2,614
Modernization of HVAC and electric power systems	1,433	965
Reconstruction of buildings and infrastructure	1,159	665
Other investments (implemented in amount less than EUR 300,000 each in 2023)	10,793	2,453
TOTAL Investments in 2023	26,545	13,075

INVESTMENT HIGHLIGHTS

Implementation of the national wide area multilateration surveillance system (WAM)

In order to cover parts of the airspace that are in the radar shadow due to the configuration of the terrain and to increase the availability of individual operational volumes, a project to build a national multilateration system (WAM) was launched. In addition, in the near future, the WAM system will enable the smooth modernization of the radar systems at the Kozjak and Psunj radar-stations due to the temporary, but long, shutdown of these radars during the works, so it will continue to provide high level of quality of the air traffic control service without the need to increase the separation minima norm or introduce aircraft delay measures.

Upgrade of COOPANS ATM system

Regular upgrades of the TopSky ATM system are jointly implemented by all COOPANS partners, including CCL, for the purpose of implementing operational and technical requirements harmonized for all members of the COOPANS Alliance, in order to ensure a modern air traffic control system, capable to accommodate increasing traffic demand while ensuring high level of safety.

Modernization of the VRRS

The existing systems for operational recording and replay (VRRS) at the locations Zagreb, Pula, Zadar, Rijeka, Split and Dubrovnik have been replaced in order to fulfill the operational requirements of the interoperability of the new VRRS system on VoIP interfaces.



SAFETY AND MANAGEMENT SYSTEMS

Air traffic safety is of paramount importance to CCL. In order to further improve the quality of service provided to our users, Safety and Management Systems were established at the corporate level. This organizational unit reports directly to the Director General.

Safety and Management Systems is responsible for the organization-wide management system including:

- **safety management**
- **quality management**
- **environment management**
- **security management**
- **risk management**
- **performance management**
- **change and project management**
- **compliance monitoring**
- **occupational health and safety management**
- **internal control and auditing.**

SAFETY MANAGEMENT

High level of ANS safety provided by CCL has priority over commercial, operational, social and any other aspects of business. CCL's Safety Management System (SMS) is aimed at a systematic and proactive achievement of an acceptable level of safety, thus making a valuable contribution towards the safety of European air traffic in general.

SAFETY MANAGEMENT SYSTEM

The main component of SMS is the Safety Management Manual which defines SMS organization and processes as well as basic SMS procedures, in order to comply with the SMS requirements laid down in national regulations, SES requirements and European safety standards.

SAFETY PERFORMANCE

Measuring and monitoring safety performance constantly helps us improve our safety level and service. CCL key safety performance areas are in line with the Commission Implementing Regulation (EU) No. 2019/317 laying down a performance and charging scheme in the single European sky and repealing Implementing Regulations (EU) No 390/2013 and (EU) No 391/2013 the purpose of which is:

→ Level of effectiveness of Safety Management (EoSM)

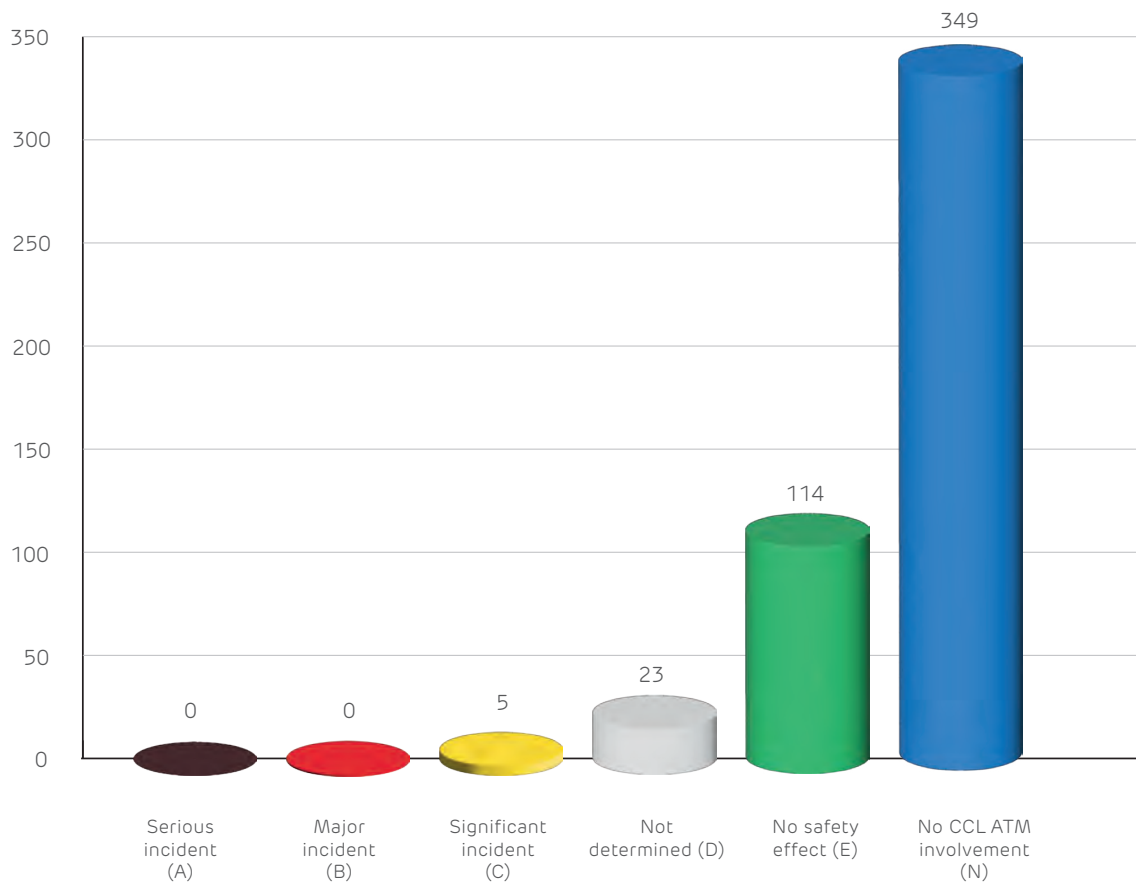
All Key Performance Indicator (KPI) targets defined in the Performance Plan for 2023 have been met and the trends in Performance Indicators (PIs) that are being monitored are positive.

EOSM	LEVEL (SELECT)
Safety culture	C
Safety policy and objectives	C
Safety risk management	C
Safety assurance	C
Safety promotion	C

→ Classification of severity of occurrences using the Toolkit for ATM occurrence investigation (TOKAI)

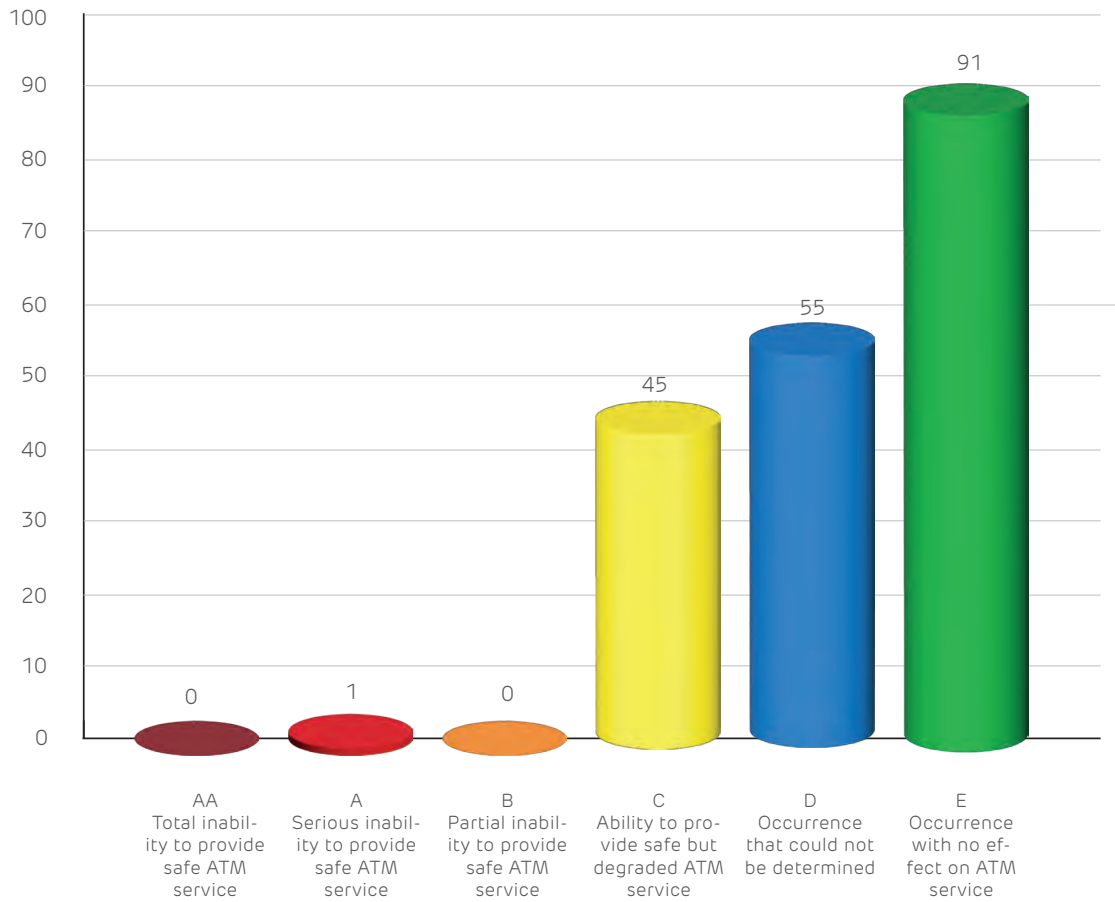
In 2023 there were 683 reported safety occurrences, 491 of which were ATM occurrences and 192 specific occurrences in ATM.

Severity of ATM occurrences was classified as follows:



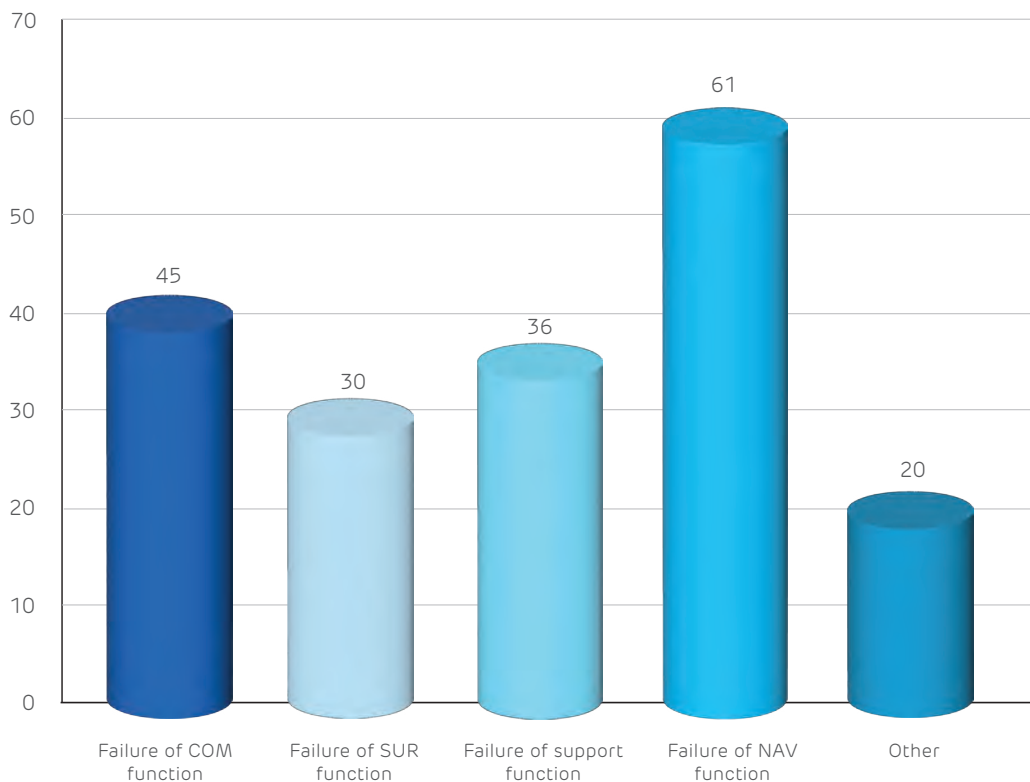
ATM occurrences - severity effect 2023

Out of 5 events of separation minima infringement (SMI), CCL was directly involved in 2 events.
 Out of 11 events of runway incursion (RI), CCL was directly involved in 2 events.



ATM specific occurrences - severity classification 2023

Severity of SATM occurrences was classified as follows:



ATM specific events - type of events 2023

JUST CULTURE

The Just Culture Policy and special JC procedures are set up in CCL. The JC concept has been disseminated to the staff and the management through the Intranet and safety promotion workshops in order to develop culture in which front line operators and others are not punished for actions, omissions or decisions they took and which are commensurate with their experience and training, while gross negligence, willful violations and destructive acts are not tolerated.

QUALITY MANAGEMENT

CCL has implemented Quality Management System (QMS) for which it is certified in compliance with the ISO 9001:2015 international standard requirements.

QMS helps CCL to improve its overall performance and it provides a solid base for sustainable development. In addition, it enhances the continuous provision of services aimed at meeting customer, organizational and regulatory requirements through continuous improvement, in addressing associated risks, opportunities and ability to show conformity to specified requirements.

The quality of CCL's services is granted by an integrated QMS which is periodically reviewed and assessed for its long-term suitability, adequacy and effectiveness.

CONSULTATION WITH SERVICE USERS


The quality of services is being continuously improved by regular consultations with users, i.e. by taking into consideration their remarks or suggestions. CCL plans the user consultation annually by its User consultation plan for the current year.

The information on user satisfaction are collected in direct communication with users by means of surveys. These surveys are published on CCL website, or are delivered by e-mail or via user forums/meetings.

After the analysis of performed consultation, the quality manager proposes the improvements of activities or service quality, and includes them as input elements in the assessment of the Company Management.

Consultations realized in the form of survey

TYPE OF SERVICE	TOPIC	USER PROFILE
AIS	Satisfaction with service and its products	Air carriers, airports, aeroclubs, MoD/ Croatian Air Force, CCAA, Ministry of the Sea, Transport and Infrastructure, other state bodies, data houses



Consultations realized in the form of forum/consultations/meetings

TYPE OF SERVICE/ FUNCTION/PROCESS	TOPIC	USER PROFILE
CNS	Assessment of the efficiency of coordination processes and improvement of cooperation	MoD, Air Space Surveillance and Control Battalion
CNS	Monitoring of the implementation of the Contract on the Provision of Radar Data to BHANSA	BHANSA
CNS	Improvement of technical cooperation to enhance the quality of air traffic control	MoD, Croatian Air Force, Air Space Surveillance and Control Battalion
FPD	Satisfaction with the designed instrumental flight procedures, proposals for improvement	Airports, Croatia Airlines and other commercial airlines, data service providers, ENAV
ATS	Improvement of service provision for the needs of CAF and coordination of CCL with MoD/CAF	MoD, CAF, Croatian Air Force
ATS ASM	ASM, FUA, AMC Portal/AMC Portal Mobile, RPAS/UAS operations, Ad Hoc airspace structures, cooperation with ATS	Aviation clubs, MSTI, CCAA, CUSA, MoD, CAF, Croatian Air Force, airspace users
ATFM	Operational cooperation, open issues and possible improvements on the South-East Axis in the summer season	NMOC, IATA, airports, air carriers
MET	Agreement on amendments to current contracts with the airports	Airports
MET	Presentation of MET services	Representatives of ATM Sector and Approach and Aerodrome ATC Sector
AIS	Provision of data and products of Aeronautical Information Service	Users from ATM Sector and Approach and Aerodrome ATC Sector
Safety management system	Exchange of experiences from the field SMS	BHANSA, SCL, M-NAV, SMATSA, HCL
Business planning management - financial aspect	Central Route Charges Office	IATA, A4E, Lufthansa, Eurocontrol/CRCO/STATFOR, EC, ANSPs

ENVIRONMENT MANAGEMENT SYSTEM

CCL recognizes the importance of environmental protection, so it endeavors to reduce the negative impact on the environment by providing safe and quality ANS. CCL's EMS also covers environmental aspects, and it is ISO 14001:2015 certified. CCL has also defined the Environmental Management Policy, to ensure the identification and management of environmental risks in a systematic way.

INDIRECT IMPACT ON THE ENVIRONMENT

CCL has an indirect impact on the environment by continuously reducing the emission of noxious gasses and aircraft noise abatement, by optimization of the airspace and route network. Service users have at their disposal certain possibilities aimed at protecting the environment by shortening the route, and it is up to the users whether they will seize this possibility or not.

DIRECT IMPACT ON THE ENVIRONMENT

CCL has a direct impact on the environment by means of utilization of communication, navigation and surveillance systems, by noise caused by operating devices and machines, as well as central air conditioning system, by use of renewable sources of energy and rational use of natural resources (electric energy, water and fuel for operating the equipment), as well as by producing waste.

Measuring of electromagnetic fields is performed in 2-years cycles on 93 locations, as well as for newly installed equipment, pursuant to the administrative decision of the Ministry of Health. No radiation levels have been exceeded since the introduction of measurement in 2015.

CCL demonstrates its care for the environment by rational use of energy products and improving electric energy management. CCL buys electric energy only from renewable sources. CCL is one of the first ANSPs in Europe that implemented renewable energy sources generating 345 kW for the purpose of business operations.

One of the significant changes in the power system in CCL's headquarters was the installation of the heat pumps system connected to underground wells, so that a new air conditioning system was used in CCL. This system is more beneficial as far as electric energy is concerned since in summer it uses cooling heat of water from the well.

Waste management and generating hazardous waste is a significant aspect for CCL, which is continuously being monitored and updated. In waste management, CCL proceeds by respecting the basic principles and implementing waste hierarchy. Besides the municipal waste, CCL collects, separates and ecologically disposes of hazardous and non-hazardous waste.

SECURITY MANAGEMENT

The primary purpose of CCL's Security Management System (SecMS) is providing a secure environment for provision of ANS through measures taken to prevent acts of unlawful interference against individuals, facilities, processes and technical devices and equipment. SecMS also recognizes the importance of information security and acts proactively to protect confidentiality, integrity and availability of corporate and operational data in all of its forms and stages of processing.

In addition to its role in supporting airspace and airport security, SecMS encompasses continuous cooperation with national and international organizations with the aim of anticipating new threats to aviation security and undertakes appropriate and timely measures to mitigate the resulting risks, while taking care to minimize any negative impact of such measures on day-to-day business operations.

ENTERPRISE RISK MANAGEMENT

CCL has introduced an Enterprise Risk Management system (ERM) compliant with internationally recognized and scientifically based methodology and standards and defined the ERM Policy.

The ERM is designed to adapt to the development of the company and changes in the risk profile and is based on a structured and systematic process that takes into account internal and external risks to which the Company is exposed.

In times of crisis, and this was the case in the past couple of years in which we had been exposed to the COVID-19 pandemic and two devastating earthquakes, as well as the current period of immense geopolitical turmoil and war in Ukraine as well as in Middle East, the ERM system is used to increase resilience in achieving business objectives and minimize the negative effects of the crisis.

CCL has set up the Risk Register as well as the Strategic Risks Map, and manages them actively by taking into account the identified sources and defined measures for the mitigation of the consequences of probability and severity of particular occurrences.

RISK CATEGORIES

Education System

It applies to all employees, and in particular to the education of the ATCOs as a fundamental factor in the provision of services. Great attention is being paid to strict selection criteria, the implementation of the theoretical and practical part of education and the selection of the best instructors since these are critical risk management factors.

Technological Compliance

The provision of air navigation services requires top-quality technical and technological equipment. Through the realization of investment projects, the Company achieves technological compliance with regulations, industry requirements and the best global technological standards.

No. of ATCOs

Insufficient number of controllers in the context of a steady increase in air traffic and the fact that this stressful job can be performed by only a small portion of the population, is considered an important business risk. This risk is managed by planning, forecasting and effective education.

Human Resources Management

The management of the Company considers human resources management to be the most important factor of success, therefore it is being analyzed, measured and managed by indicators that should improve the process of HRM.

Project Management

The Company regards effective project management as a business risk from the aspect of safety, engagement of resources and consequences on financial effects.

Cyber Threats

The Company has recognized cyber threats as a rather significant risk, and it implements solutions in the field of cyber protection.

Business Operations Continuity

CCL has a duty and obligation to ensure business continuity in relation to identified sources of possible business discontinuity (natural disasters, pandemic, technical system/device failure, terrorist attack, industrial action). Measures in sense of increasing resilience to these threats are a high level of reliability and redundancy of operational technical systems, personnel trained to act in special circumstances, operating manuals and instructions on procedure.

Meeting the Performance Targets and Organizational Targets

The performance targets shall be agreed and coordinated at EU level through a performance plan. Internal organizational objectives are aligned with European performance goals and it is therefore important to actively manage the company's goals at all levels by applying risk management measures.



Safety Management System

CCL's mission is to provide safe and quality services. Security aspects are embedded in business processes as well as in CCL's business culture.

Financial Risks

Financial risks managed by the company include a wide range of risks. In the narrow sense, various measures, among other risks, cover currency, interest rate and liquidity risks. New risk-related factors are timely anticipated through scenario-based planning.

Regulatory Compliance

The field of provision of air navigation services is a highly regulated activity subject to a wide range of international acts, implementing regulations as well as directives and standards that must be complied with.

Reputation

Reputational risk is "a risk from risk" because it is generated from other sources of variability. The risk of loss of reputation is usually due to adverse events arising from the exposure of the Company to various strategic, operational and financial risks. Loss of reputation can often have long-term consequences and any risk factor with a possible negative impact on the reputation is a threat to the survival of a company.

Efficiency of Strategic and Operational Planning

This risk is one of the key risks for achieving the set targets in the field of technology, human resources and securing financial resources for investment projects and operational expenditure.



ADDITIONAL SERVICES

AERONAUTICAL METEOROLOGY (MET)

CCL provides aeronautical meteorology services, with special emphasis on the continuous improvement of services, staff education and regional cooperation.



In 2023, numerous thunderstorms developing within a very short period of time across almost all of Europe had a significant effect on air traffic, especially in Central Europe. Therefore, timely weather forecasts play a key role in the realization of planned air traffic flow over Europe.

During the period from May to October, a special thunderstorm activity forecast is made for Eurocontrol's Network Manager. Under the auspices of EUMETNET, forecasters from 24 MET service provider states simultaneously create a joint forecast for the current day and the following day. Additionally, several CCL forecasters participate as Lead Forecasters, who, on behalf of everyone, monitor the harmonization, issue forecasts, lead communication with the Network Manager and present forecasts at joint coordination meetings.

Most of the time the Lead Forecaster works remotely from the forecasting service premises of his/her state, while in the peak traffic months he/she works in the Eurocontrol's operations room in Brussels, where his/her presence reinforces the communication with the operational staff in the NMOC.

Daily cooperation between the MET service and ATC services is important for flight safety and reducing traffic delays. Improved traffic regulation in conditions of adverse weather and increasingly pronounced climate changes impacts economic savings and the consequential reduction of CO2 emissions.

AERONAUTICAL INFORMATION MANAGEMENT (AIM) / AERONAUTICAL INFORMATION SERVICES (AIS)

CCL provides aeronautical data and information necessary for air navigation safety, regularity and efficiency. AIM/AIS Department consists of the International NOTAM Office, operational 24 hours a day, AIM/AIS Operations Support Department and the Aeronautical Publications Department.



It provides static data in AIXM 5.1 model in the new local AIM database as well as aeronautical information products - AIP AMDT/SUP, Aeronautical Charts integrated in the eAIP, AIC, NOTAM/SNOWTAM as well as PIB, and various checklists and additional publications such as VFR Manuals and VFR Chart with recommended VFR routes.

TAM messages are produced using the EAD in 5 series (A-international, B-limited international, C- national, M – international MIL, S – SNOWTAM) and distributed together with relevant international TAM messages via local AIM database for the purpose of pre-flight briefing provision. The part of the service with respect to PFB and post-flight information is provided by Split Central ARO. Local AIM database for static data is connected and synchronized with the EAD allowing for AIXM 5.1 data to be seamlessly exchanged between the two databases.

All aeronautical information products are available on AIM portal and in the EAD in electronic format via EAD Data Users applications. The electronic AIP of the Republic of Croatia is also created from the EAD in accordance with the EUROCONTROL eAIP specification and is available, both in English and Croatian.

AIM/AIS has successfully migrated with the local AIM database to the EAD SDD and thus set the ground for further provision of CP1 regulation required products planned to be disseminated within SWIM environment.

FLIGHT PROCEDURE DESIGN SERVICES (FPD)



As of January 27, 2022, CCL has been certified for providing the FPD services in accordance with Commission Implementing Regulation (EU) No 2017/373.

The design of the instrument flight procedures is in accordance with the criteria from the Regulation (EU) 2017/373, the document ICAO Doc 8168 – PANS – OPS Vol II and other relevant documents.

FPD services encompass design, document, and validate of conventional procedures and PBN procedures for 9 Croatian international airports within Zagreb FIR for:

- ➔ standard instrument departures (SIDs),
- ➔ standard instrument arrivals (STARs),
- ➔ instrument approach (IAP) including circling

FPD services also providing the production of aeronautical charts, the definition of polygons of minimum altitudes for radar vectoring, the analysis of the signal coverage of radio navigational aids, and the analysis of the impact of obstacles, areas, and zones on procedures and routes.

According to Commission Implementing Regulation (EU) No 2018/1048 of 18 July 2018 laying down airspace usage requirements and operating procedures concerning performance-based navigation, CCL developed PBN Transition plan of the Republic of Croatia to ensure regulatory compliance with the PBN IR, and to meet passenger demands, without impacting on the safety or capacity of the airspace whilst fulfilling our national environmental commitments.

FPD services designed all PBN instrument flight procedures in accordance with the PBN IR EU Regulation No 2018/1048 and the PBN Transition Plan of the Republic of Croatia according to the requested time frames. All published procedures are regularly maintained and changed in accordance with user requirements and changes in regulations, airspace, NAVAIDs, aerodrome data, obstacles and other data.

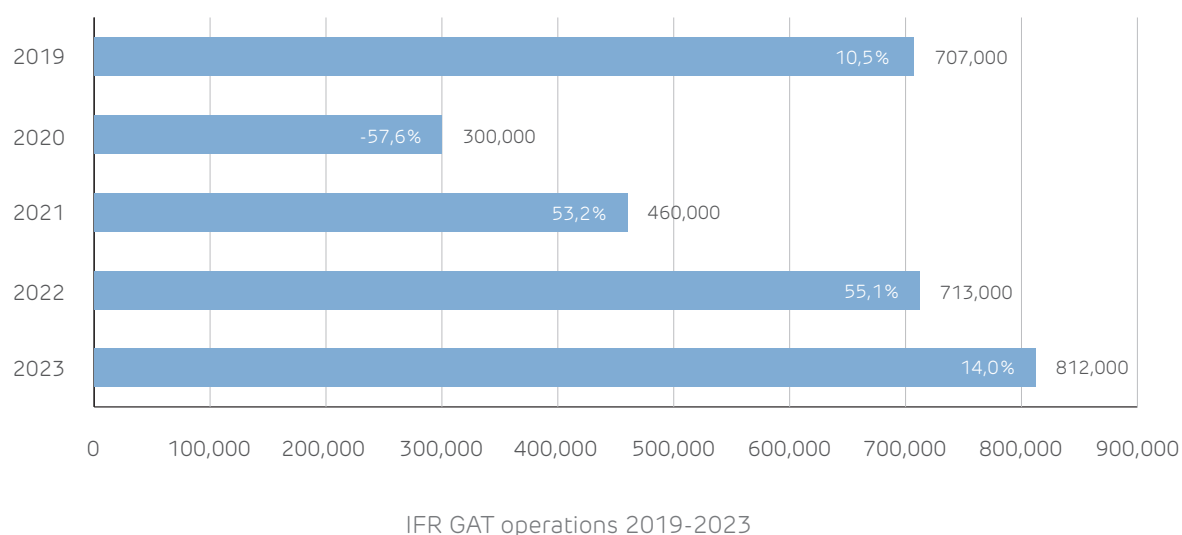
All data, procedures, and aeronautical charts for the conventional and PBN procedures for all Croatian international airports within Zagreb FIR, are published in the Integrated AIP of the Republic of Croatia.



PERFORMANCE

TRAFFIC

In 2023, there were 812.000 flights, and traffic growth was significant when compared to 2022 and pre-pandemic 2019. When speaking of the number of flights, there were almost 100,000 more flights recorded than in 2022, i.e. an increase of about 14%. Compared to 2019, the recorded increase is about 15%. These figures indicate a strong trend in the expansion of air traffic and connectivity on the South East Axis on which Croatia is located.

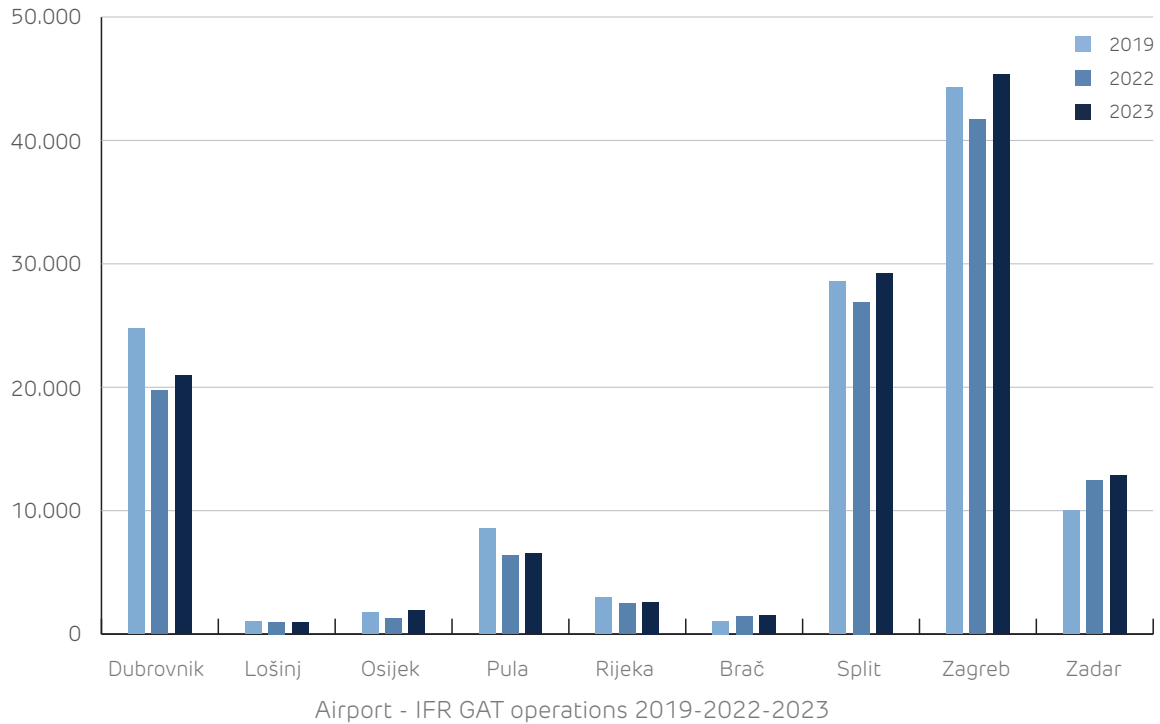


If we compare monthly traffic movements in 2023 with monthly traffic movements in the best two years so far, 2022 and 2019, traffic in 2023 was significantly above traffic levels in all months in those two years. The highest increase in traffic was recorded in the first three months of 2023 (January 28%, February 36%, March 25%).

The increase in total traffic at Croatian airports in 2023 was 7.2% compared to 2022 and came close to the level of traffic from 2019. The total number of operations on Croatian airports in 2023 was 112,498.

All airports, except for Lošinj, had more traffic in 2023 than in 2022. When considered individually by airports, there are still significant differences in the traffic volume in 2023 compared to 2019. At some airports traffic was higher in 2023 when compared to pre-pandemic period: Brač (43%), Zadar (28%) and Osijek (10%), Split (2%) and Zagreb (2%). On the other hand, at several airports traffic is still significantly lower in comparison to 2019: Pula (-24%), Dubrovnik (-16%), Rijeka (-12%), Lošinj (-7%).

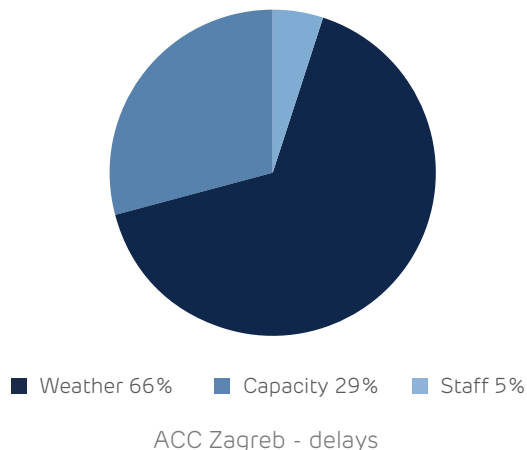
As regards the share in total traffic at all Croatian airports in 2023, Zagreb holds the largest share with 37% of total traffic, followed by Split (24%), Dubrovnik (17%) and Zadar (10.5%).



CONTROLLED OPERATIONS AND ATFM DELAYS

In 2023 there were approx. 386,000 minutes of enroute delay. After implementing post-operations performance adjustment delay amounts to 0.43 minutes per flight, out of which some 66% were due to bad weather.

Delay in 2023 is lower than in 2022 despite the fact that traffic in 2023 is 14% above 2022 level and 34% above planned (in RP3 PP).



SERVICE UNITS AND UNIT RATES

TRAFFIC

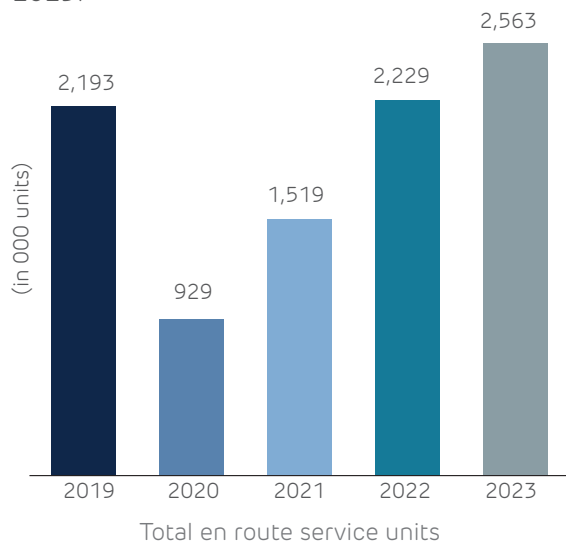
EN ROUTE CHARGING ZONE

The development of air traffic in Europe in 2023 demonstrated a strong recovery trajectory, despite the fact that industry faced several risks, including geopolitical instability, economic uncertainties and operational challenges. Despite these risks, the progress made in 2023 brought the aviation sector closer to regaining its pre-pandemic momentum.

The development of air traffic in Croatia in 2023 reflected a strong recovery and growth compared to 2022, with a traffic increase of 14.1%. Key drivers were booming tourism sector along the South East Axis, expanded flight connectivity, eased travel restrictions, and proactive Croatian government initiatives. Despite facing risks such as geopolitical instability, economic fluctuations and inflationary pressure, Croatia's aviation sector showed resilience and adaptability setting a positive outlook for the future.

In 2023, a total number of 2.6 million en route service units was realized in en route charging zone, which was the increase of 15.0% in comparison to 2022, and 16.9% above the pre-pandemic 2019.

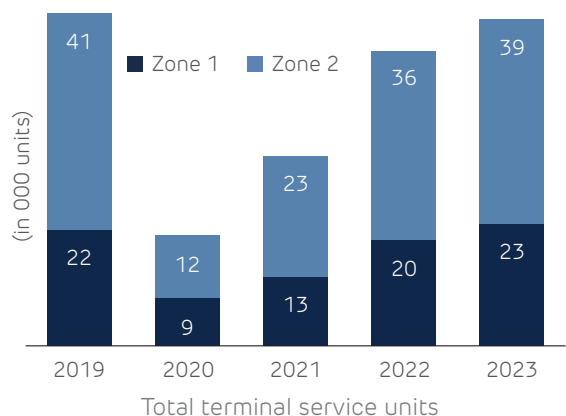
At the same time, the realization of en route service units was 31.7% higher than planned in the revised RP3 Performance Plan for 2023.



TERMINAL CHARGING ZONES

In spite of significant air traffic recovery in 2022/2023, the total number of terminal service units in 2023 was somewhat below the level of pre-pandemic 2019 (-1.8% when compared to 2019).

The total number of terminal service units in 2023 in two terminal charging zones, Z1 (TWR ATC Zagreb) and Z2 (all other controlled terminal ATC centers in Croatia) was 61.6 thousand (+8.6% when compared to 2022). The number of terminal service units increased in both terminal charging zones, however the increase was more significant in terminal charging zone 1.

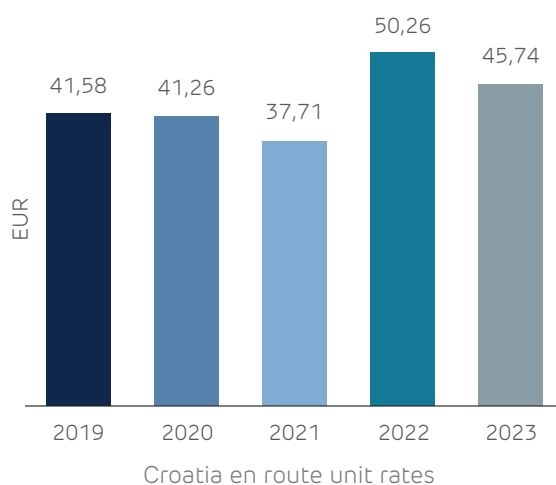


UNIT RATES

EN ROUTE CHARGING ZONE

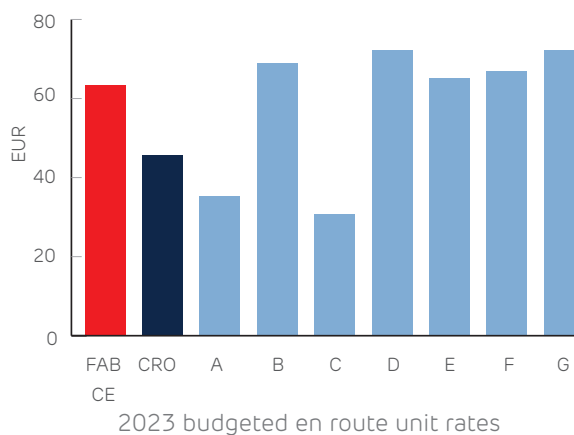
Based on revised RP3 Performance Plan, the planned en route unit rate for 2023 actually charged to users was EUR 45.74 (this en route unit rate does not comprise ECTL administrative fee).

When compared to 2022, en route unit rate in 2023 dropped for 9% due to adjustments laid down in SES regulation. The following graph presents the en route unit rates for Croatia.



En route unit rate for Croatia was 27.8% below FAB CE average (Croatia excluded).

The following graph presents the comparison in planned en route unit rates with Croatia's neighboring states, most of which are FAB CE partners.



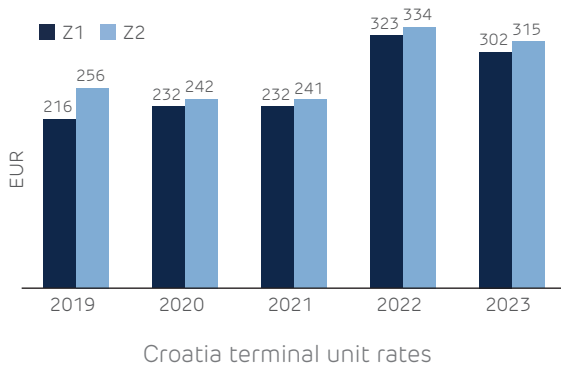
Please note that following the provisions of Performance and Charging “exceptional measures” Regulation (EU Regulation No. 2020/1627), the identified gap between finally eligible (i.e. revised) and actually charged provisional en route unit rate for 2020/2021 resulted in the recognition of “SES relevant long term contractual asset” which, starting from 2023, is realized by 2027, the earliest.

TERMINAL CHARGING ZONES

Croatia operates two terminal charging zones with two individual terminal unit rates.

In terminal charging zone Z1 (TWR ATC Zagreb), the budgeted unit rate for 2023 was EUR 302.45 per service unit, which is 6.3% decrease compared to 2022.

In terminal charging zone Z2 (other controlled terminal ATC centers), the budgeted unit rate for 2023 was EUR 315.41 per service unit, which is 5.5 % decrease compared to 2022.



Please note that despite the increase in traffic and the consequent decrease in the unit rate for both terminal charging zones, CCL continued to adjust the unit rate for 2020 and 2021 terminal under-recoveries for only a fraction (i.e. 1/7) of the overall eligible carryovers. This clearly demonstrates CCL’s strong commitment to the further strengthening of terminal traffic in Croatia.

FINANCIAL PERFORMANCE

OVERALL FINANCIAL PERFORMANCE

In 2023, CCL achieved business results beyond any expectations when taking into consideration the dynamic and unstable business environment. It is still partly due to the favorable geopolitical position, i.e. provision of services on the South East Axis that has the strongest post-pandemic traffic growth in Europe and covers 8% of total traffic on the level of Eurocontrol’s network. All activities remain concentrated on meeting the performance targets for RP3 as well as on preparation of business activities for the new reference period RP4.

Stable revenue streams coupled with somewhat decreased operating expenses resulted in the profit after tax of EUR 17.3 million.

REVENUES AND BUSINESS INCOME

The favorable development in en route traffic did not materialize in 2023 total revenues, which were 2.8% lower compared to the previous year, amounting to EUR 127.6 million. This was primarily due to the pricing environment for en route services based on the revised RP3 PP fundamentals.

Core Business Revenues (ANS charges and other core sales)

Despite the increase in traffic volume, total core business revenues decreased by 4.0% compared to 2022, amounting to EUR 122.7 million. This decline can be attributed primarily to the reduction in en route unit rates coupled with unwinding of the previously recognized “revenue gap” asset (from 2020 and 2021, following the “exceptional measures” regulation). At the same time revenue from terminal services increased for 2.1%.

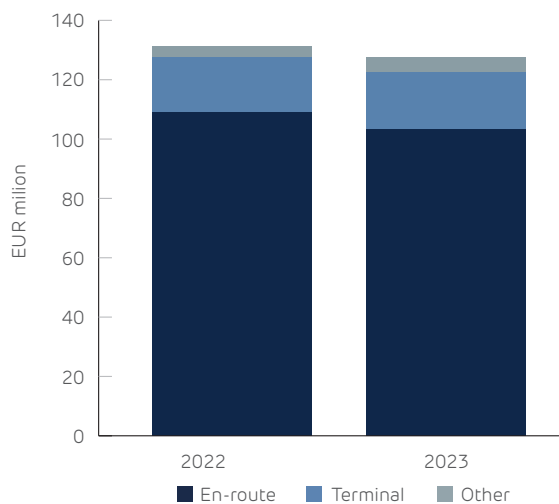
Other Business Revenues (excluding financial)

Other business revenues in the amount of 3.5 million account for 2.7% of total revenues and went up for 11.8% in comparison to

2022, mostly due to a higher IAS 20 revenues and unwinding of the long-term provisions.

Financial Income and Revenues

Financial income and revenues primarily consists of the positive effect from discounting the unwinding of the SES contractual assets, alongside interest income. These sources are considered non-operational and marginal, comprising only 1.1% of total revenue. The growth in this segment was notable compared to 2022 mainly attributed to 2023 being the first year to accrue the unwinding of SES contractual assets.



Total revenue development

As is the case in the entire air navigation service provision industry, total revenue is traditionally characterized by a high share of route charges in the overall revenue structure, accounting for 81.1% of total revenues in 2023. At the same time, revenue from terminal services accounted for 14.8% of total revenue.

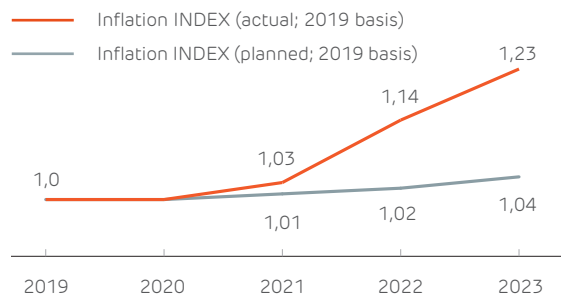
Other business revenues, including financial revenues, make 4.1% of total revenue and are not related to the provision of ANS (they include secondary proceeds of sale).

COSTS AND EXPENDITURES

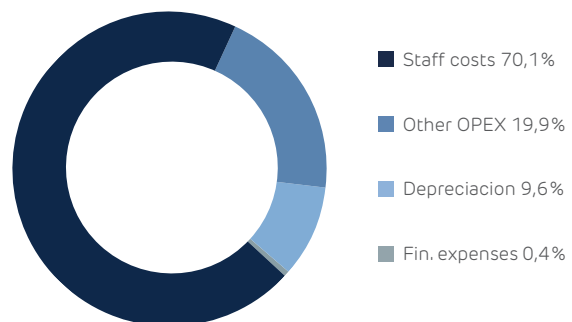
After two years dominated by the COVID-19 pandemic, 2022 marked a notable recovery in traffic above planned levels. However, it was also a year characterized by prolonged, intri-

cate, and highly dynamic social dialogue, coupled with strong inflationary pressures whose consequences persisted throughout 2023.

In 2023, total expenditures amounted to EUR 106.5 million, reflecting a 1.3% reduction compared to 2022. It is important to note that the 2022 cost records were significantly influenced by additional SES "risk sharing" provisions under the Performance and Charging SES regulatory framework, which were present in 2023 in significantly lower amount. Excluding these provisions, the actual total costs for 2023 (EUR 102.6 million) would have shown a 17.1% increase compared to the previous year, primarily due to substantial inflationary pressures on business activities.



Inflation: planned vs actual



Cost structure

Detailed cost development and structure is described below.

Staff costs

Staff costs represent the largest component of the Company's total cost structure, accounting for 70.1% of total expenses. In

2023, staff costs amounted to EUR 74.7 M, reflecting a 21.5% increase compared to 2022. This rise is primarily due to an increase in the number of employees, especially operational staff much needed to meet growing traffic demands, as well as salary increase significantly below inflation index. To partially mitigate these inflationary pressures in the short term, the Supervisory board approved a one-time staff compensation equivalent to 8% of the salary cost.

Depreciation costs

Depreciation costs accounted for 9.6% in total costs and increased for 2.5% when compared to 2022.

The investment program in previous years faced delays due to a complex external environment, including public procurement challenges, logistics disruptions, and production delays, as well as internal factors like exhaustive collective bargaining in 2021 and 2022, which resulted in the postponement of many planned hires.

Despite these challenges, our catch-up program has begun to yield results. In 2023, the implementation of new projects was 89% higher than in 2022, after years of slowed or postponed CAPEX realization. This led to a moderate 2.5% increase in depreciation costs, despite the ongoing decommissioning of the Company's fully amortized existing assets.

Other operating expenditures (excl. financial cost)

Other operating expenditures (excluding depreciation and staff costs) amounted to EUR 21.1 million and were reduced for 41.3% when compared to the previous year. As explained earlier, the main reason for this reduction was lower net SES "risk-sharing" regulatory provisions accrued in 2023. At the same time, material expenditures and external service expenditures increased by 11.9% and other costs rose for 9.5% compared to previous year, clearly depicting the impact of rising inflation in Croatia on operational expenditures.

Other operating expenditures in 2023 account for 19.9% of the total expenditures of the Company (in 2022 the share was 33.4 %).

Financial Costs and Expenditures

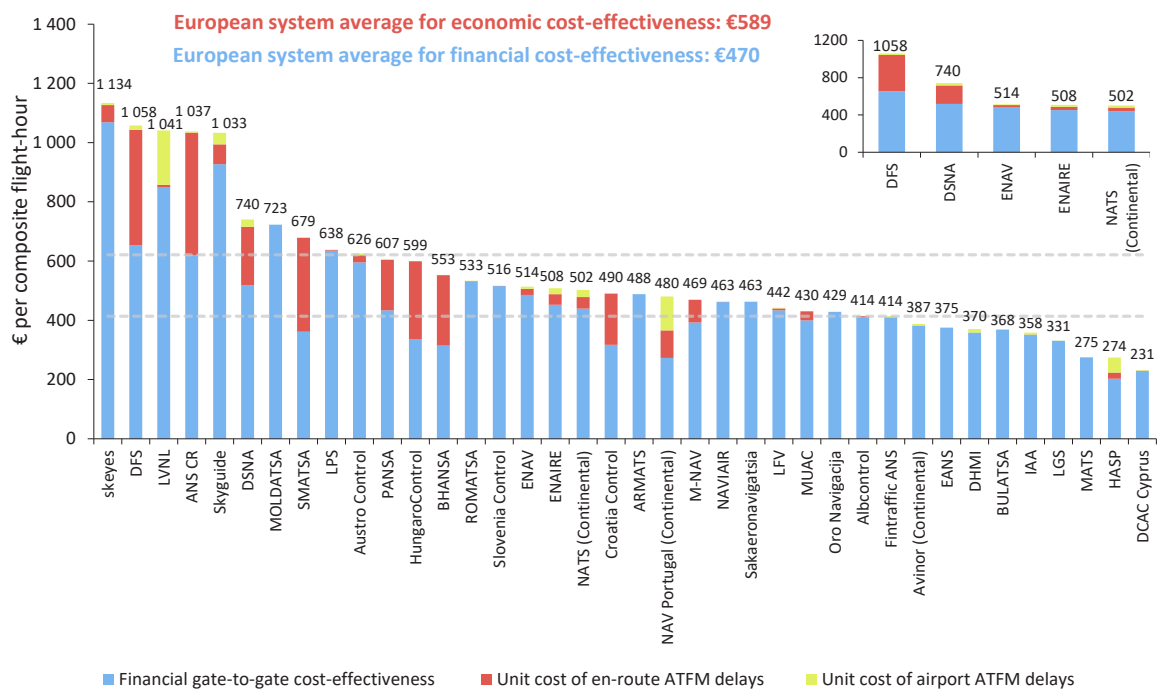
Financial costs and expenditures comprise interest expenses and are considered to be non-operational and marginal since they amount to 0.4% of total costs and expenditures.

COST EFFECTIVENESS

European ATM performance is regularly monitored by the Performance Review Unit (PRU). PRU's economic cost effectiveness indicator gives an indication of how well an ANSP is providing the ANS in terms of cost effectiveness.

According to the latest ATM Cost Effectiveness (ACE) 2022 Benchmarking Report dated May 2024, European System average for economic cost effectiveness was EUR 589 per composite flight hour. Unlike in 2021, when air traffic was still recovering, in 2022 ATFM delays presented a major performance challenge in the period, therefore economic cost effectiveness records were not as close to the level of financial cost effectiveness, especially with countries facing large and faster traffic recovery/growth.

At the same time, CCL performed 16.8% better than the European system average in terms of 2022 economic cost effectiveness (i.e. 32.6% better than the European system average in terms of financial cost effectiveness measured as ATM/CNS provision costs per composite flight average). Such performance placed CCL right in the middle region based on the economic cost effectiveness, and within the lower quartile region in terms of financial cost-effectiveness, both well below the cost-effectiveness European system average and among top-performers.



Economic gate-to-gate cost effectiveness indicator, 2022

COST EFFICIENCY KPA

Realized revised 2023 cost efficiency target for CCL and Croatia (ENR DUC or DUC) as adopted within the revised RP3 Performance Plan of Croatia (April 2022) were respectively 31.8% and 31.0% better than planned for the period following the:

- total ENR costs in nominal terms being 3.8% (and 3.9%) lower than 2023 revised plan for CCL (and Croatia), which at the 2023 inflation index 19.9 p.p. higher than planned resulted in total ENR costs in real terms (at 2017 prices) being -10.0% (and -8.9%) compared to the plan with
- 2023 en route traffic realized substantially above the planned level (+31.7%).



REMOVE BEFORE FLIGHT

WARNING
PRESSURIZED UNIT
REPLACE BY INFLATION
VALVE BETWEEN WHEELS
BEFORE DEPARTURE

WARNING
PRESSURIZED UNIT
REPLACE BY INFLATION
VALVE BETWEEN WHEELS
BEFORE DEPARTURE

WARNING
PRESSURIZED UNIT
REPLACE BY INFLATION
VALVE BETWEEN WHEELS
BEFORE DEPARTURE

**INFLATE TYRES WITH
NITROGEN ONLY**

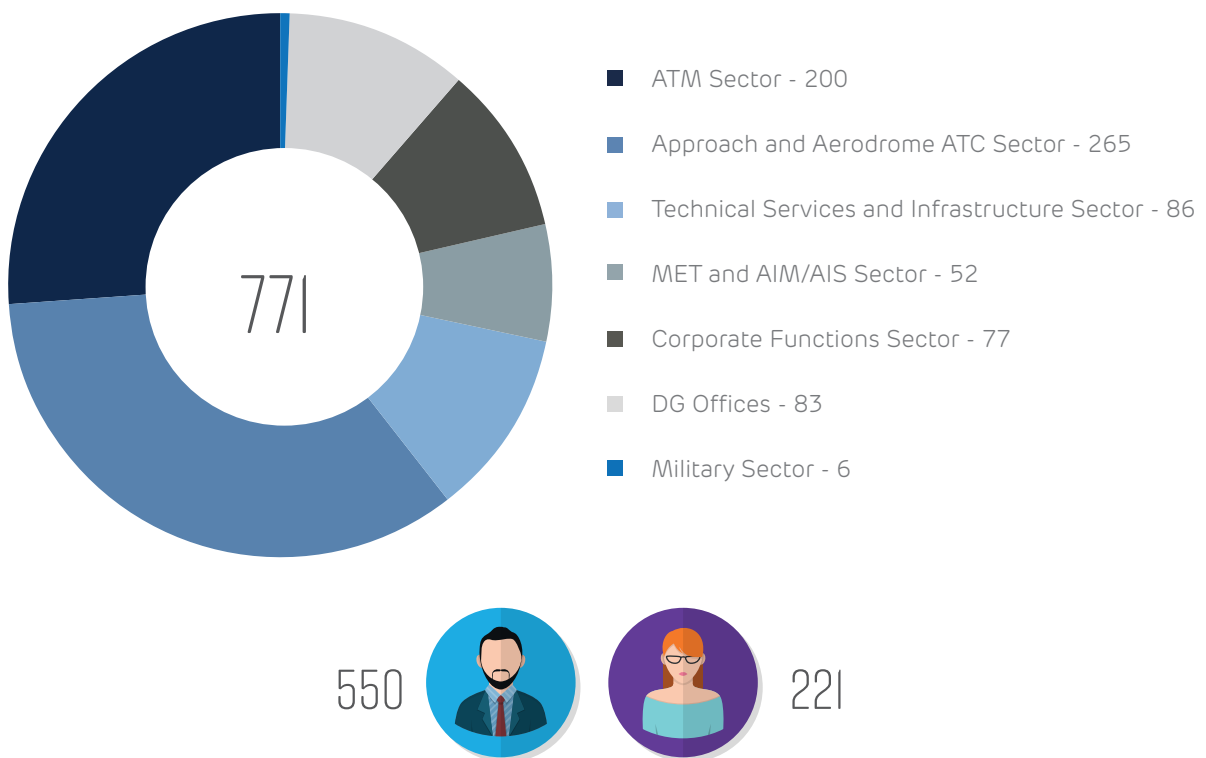
HUMAN RESOURCES

CCL employs the staff with adequate qualifications, to enable safe, high quality and continuous provision of services.

It pays special attention to human resources management, with a training system geared to ensure training, acquiring and continuous maintaining of competencies and experience, to meet international and national standards.

EMPLOYEES

In 2023, the total number of employees was 771 – 550 men and 221 women.



EMPLOYMENT AND RECRUITING

CCL is fully committed to pursuing the principle of equal opportunities and dignity of every individual in its recruiting and employment policy.

The employment was performed pursuant to the Labor Agreement, the Staff Rules, as well as the Organizational Structure and Job Classification Rules.

The total number of newly employed was 25, while 20 employees left the Company in 2023.

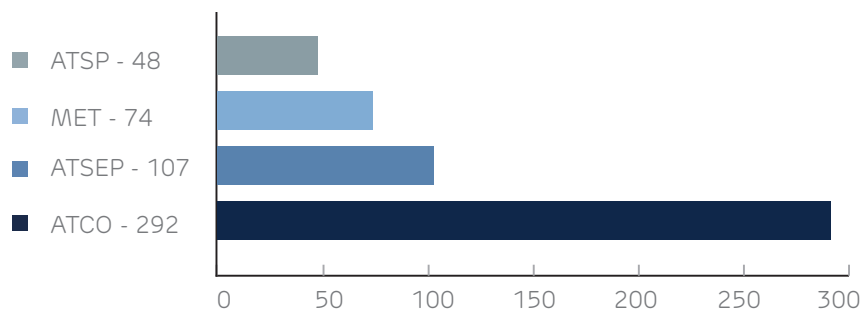
The selection of candidates was conducted in compliance with the predefined testing procedures, including the FEAST program and the assessment center. The selection of ATSEP, MET, ATSP and administrative personnel was conducted according to the internal testing procedures.

TRAINING

Integral ATCO training system was established in CCL. CCL is certificated for the Basic Training of all types of ATCOs, ADI/TWR, APS/TCL, ACS Rating and Unit Training in line with Commission Regulation (EU) 2015/340.



In addition to the training of new and existing ATCOs, the Training Organization also conducted initial and refresher courses for ATSEP, MET, ATSP and other operational personnel, in compliance with relevant EU regulations and respective training plans.



Operational staff – number of licenses in 2023

TYPE OF ATCO TRAINING	NUMBER OF PARTICIPANTS
Basic Training	12
ACS Rating Training	12
ADI/TWR Rating Training	-
Unit Training	7
Renewal/Revalidation Training	12
OJTI/STDI and Assessor Training	30
Conversion Training	-

Refresher trainings for 22 military controllers were also held in 2023.

ATCOs must continuously maintain ratings and endorsements on the license that, in addition to mandatory competence reviews and refreshers trainings, includes the maintenance of:

- Class 3 medical certificate (for aviation personnel) to be reviewed every two years, and after 40 years of age each year.
- English language proficiency, for the purpose of which ELPAC test is to be taken (its validity is 3, 6 or 9 years, depending on the level achieved)

HEALTH AND SAFETY

CCL continuously conducts preventive activities aimed at the protection of employees' occupational health and safety.

Stress prevention and management program for ATCOs is carried out annually from mid-September to mid-April, i.e. in-between two seasons. In the past period, 285 ATCOs participated in the program.

Critical incident stress management (CISM) is a method of care for air traffic controllers, FIC controllers and operational staff who have experienced a critical incident and are therefore under stress. In this program support is being given by CISM peers who are trained for this and participate voluntarily in CISM program. In 2023, within CISM framework a course for 47 peers was organized in 5 terms, and their annual meeting was also held.





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OUTLOOK AND PRIORITIES FOR 2024

Despite COVID crisis and global challenges, 2023 confirmed Croatia's exceptional geographical position that contributed to higher traffic growth rates compared to other EU members. This trend is expected to continue in 2024.

In 2024, CCL's priority is to positively contribute to the performance goals specified in the Performance Plan of the Republic of Croatia (Commission Decision (EU) 2022/764) by investing in human and capital resources (primarily in the modernization of the ATM system) with a clear focus on further development and modernization of the Company.

Year 2024 will be challenging for the Company because of the regulatory obligation of the Republic of Croatia (and thus CCL as the largest single entity of the Republic of Croatia's cost base) to develop a performance plan for the fourth reference period (RP4), conduct consultations with the EC and airspace users, and submit the performance plan for further approval.

Goals and priorities for 2024 are as follows:

Safety

→ to reach the targets in Safety KPA as set in the approved RP3 Performance Plan

Capacity

- to positively contribute to the pan-European network in terms of ATFM en route delay despite the extreme traffic growth, compared to the one used while planning the capacity profile (Croatian Performance Plan)
- to reach baseline capacity of 191 operations within an hour



Environment

- to reduce inefficiency of the actual route to 1.46% compared to great circle distance

Cost Efficiency

- to reduce DUC value for 2023 (in EUR 2017) on en route activities by -11.7% compared to 2023

Finance

- to maintain the financial stability indicator less than 1

Technical Systems

- a strong investment cycle in the amount of EUR 33.1 million is planned, with the emphasis on projects that will be focused on state-of-the-art technologies in order to increase air traffic service efficiency and safety

Other

- CCL, together with other COOPANS members, is expected to sign and launch Top Sky ATC1 and EXODUS programs in the course of 2024 with already approved co-funding of the EXODUS within CEF DSD 2022 Call. These projects will be a significant milestone in the course of the development and modernization of the Company, together with further alignment with legal and regulation requirements.
- Continuation of in-house training with overall 25 new trainees, out of which 20 ACC ATCO trainees and 5 TWR ATCO trainees, will mark further increase in the number of ATCO staff, which is indispensable to offset the extreme traffic growth.



FINANCIAL STATEMENTS AND AUDITOR'S REPORT

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Management Board of the Company **CROATIA CONTROL LTD**, Velika Gorica, Rudolfa Fizira 2 ("the Company") is responsible for ensuring that the annual financial statements of the Company for the year 2023 are prepared in accordance with the Accounting Act (Official Gazette No. 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22, 83/23) and the International Financial Reporting Standards ("IFRS") as adopted by the European Union, to give a true and fair view of the financial position, the results of operations, the changes in equity and the cash flows of the Company for that period.

On the basis of the review, the Management Board of the Company has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board has prepared financial statements under the assumption that the Company is a going concern.

In preparing these financial statements, the Management Board is responsible for:

- selecting and consistently applying suitable accounting policies in line with the effective financial reporting standards;
- giving reasonable and prudent judgments and evaluations;
- preparation of the annual financial statements on the going concern principle unless such an assumption is not further appropriate.

The Management Board is responsible for keeping proper accounting records, which shall reflect with reasonable accuracy at any time the financial position, results of operations of the Company, changes in capital and cash flow of the Company, as well as their compliance with the Accounting Act and the International Financial Reporting Standards as adopted by the European Union. The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board



Mario Kunovec-Varga, Director General

CROATIA CONTROL LTD.

Rudolfa Fizira 2

10410 Velika Gorica

May 21, 2024

INDEPENDENT AUDITOR'S REPORT

To the owner of the company CROATIA CONTROL Ltd.

REPORT ON THE AUDIT OF ANNUAL FINANCIAL STATEMENTS

OPINION

We have audited the accompanying annual financial statements of the company CROATIA CONTROL LTD, Velika Gorica, Rudolfa Fizira 2 ("the Company") for the year ended 31 December 2023, which comprise the Statement of Financial Position / Balance Sheet as at 31 December 2023, Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and Notes to the financial statements, including a summary of significant accounting policies and other explanations.

In our opinion, the enclosed financial statements give a fair view, in all significant respects, of the financial position of the Company as at 31 December 2023, its financial performance and the cash flows for the year then ended, in accordance to the Accounting Act and the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

NON-CURRENT INTANGIBLE AND PROPERTY, PLANT, AND EQUIPMENT

Description

Non-current intangible assets and Property, Plant, and Equipment as at 31 December 2023 amount to EUR 56.469.140, which represents 25% of the total assets. Total value of current assets was EUR 137.244.797 (61% of the assets), and its largest share in the amount of EUR 66.284.313 relates to the item Cash, which normally does not represent a complex position in the Statement of Financial Position / Balance Sheet. Given the material significance of non-current intangible and Property, Plant, and Equipment assets, its role as the key material resource in the functioning of the Company, as well as the complexity of recording of these assets (procurement, calculation of depreciation, measurement, costs capitalization etc.), it is our opinion that

these positions in the Statement of Financial Position /Balance Sheet represent the Key Audit Matters.

During 2023, the procurement of mentioned assets totaled EUR 14,627,827 and related mostly to the projects of upgrading of ATM systems and projects DATA-COM and VOICE-COM domain.

Pursuant to IAS 16, a part of the gross salary in the amount of EUR 398,050 in 2023 was capitalized to the related projects.

See Notes 2.4; 15. and 17. to the Financial Statements.

How these issues were addressed in the audit

Our audit procedures included, among others, as follows:

- Assessment of the harmonization of recognition of mentioned assets with the relevant IFRS.
- Testing of the internal controls related to the process of procurement of mentioned assets on the basis of the representative sample of procurement transactions.
- We assessed the prudence of useful life of assets used by the Company when calculating the depreciation as well as the depreciation start date for activated assets and depreciation end date for assets no longer in use.
- New procurements of mentioned assets in 2023 were tested on the basis of a representative sample of procurement transactions.
- On the basis of representative transactions, we tested the disposals and write-off of Property, Plant, and Equipment and intangible assets.
- We examined the capitalization of own costs.
- We determined that the process of arranging and registering the real estate ownership rights has not been completely settled. The settlement of these property legal issues is currently under way.

Through our audit procedures, we ascertained that the non - current intangible assets and Property, Plant, and Equipment in materially significant items have been recorded and disclosed in line with the IFRS.

POSTING TRANSACTIONS RELATED TO THE SES REGULATORY FRAMEWORK

Description

In the Statement of Financial Position (Balance Sheet) as at 31 December 2023, the Company stated a provision, among other, for contingent liabilities arising from the SES (Single European Sky) regulatory framework in the amount of EUR 35,438,494. For more detailed information, see Note 2.21., Note 10. and Note 30. in the annual financial statements.

Also, based on the SES regulatory framework, the Company reported contract assets in the amount of EUR 27,558,276. For more detailed information, see Note 2.4., Note 3. and Note 27. to the annual financial statements.

Revenues from core business The Company generates based on the provision of air navigation services which are subject to a common regulatory framework based on cost and turnover plans approved by the relevant authorities (RC, EC) with certain surpluses and deficits arising from the difference between planned revenues and actual income. In situations of significant difference between planned and achieved results, the prescribed mechanism for settling the deficit

or surplus of revenues arising from the regulatory framework (SES provisions) is applied. This complex mechanism requires the Company to make complex estimates with a significant level of judgment and uncertainty as it relates to a period longer than one year, which may lead to the recording of incorrect amounts of SES provisions, i.e. contract assets.

Due to the significance of the reported amounts of SES provisions and contract assets and the complexity of the valuation process, in our opinion these positions in the Statement of Financial Position / Balance Sheet represent a key audit matter.

How these issues were addressed in the audit

Our audit procedures included, among other:

- ➔ Checking the validity of the presentation of the mentioned positions by inspecting the relevant EU regulations:
 - » Implementing Regulations (EU) 2019/317 and 2020/1627 which prescribe a mechanism for the protection of air service providers.
- ➔ Assessment of the compliance of the policy of recognition of assets with IFRS.
- ➔ Checking the accuracy of the calculation of the required amounts of SES provisions in accordance with SES regulation.
- ➔ Checking the parameters used in the Calculation.
- ➔ Checking the accuracy of the calculation of the required amounts of contract assets.
- ➔ Comparison of calculations with the Performance Plan.

Through our audit procedures, we have verified that SES provisions as well as contract assets in material items have been recorded and disclosed in accordance with IFRS.

OTHER INFORMATION

The Management Board of the Company is responsible for the other information. The other information includes the Annual Report and the Non-Financial Report included in the Annual Report, but do not include the annual financial statements and our Independent Auditor's Report on these statements.

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

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

1. the information in the attached Annual Report are aligned, in all significant aspects, with the attached financial statements;
2. attached Annual Report is compiled in accordance with Article 21 of the Accounting Act; and
3. attached Non-Financial Report is compiled in accordance with Article 21.a of the Accounting Act is

Based on knowledge and understanding of the Company's operations and its environment acquired within the framework of the audit of the financial statements, we are obliged to report if we have established that there are significant misstatements in the attached Management Report and Non-Financial Report. In this sense, we have nothing to report.

Responsibilities of Management Board and Those Charged with Governance for the Annual Financial Statements

Management Board is responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, Management Board 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 Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those who are in charge of management are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual financial statements.

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

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

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

We also represent to those in charge of management that we have complied with relevant ethical requirements regarding independence and will communicate with them about any relationships and other matters that may reasonably be considered to affect our independence, as well as, where applicable, on actions taken to address threats to independence, and related protections.

Among the matters communicated with those in charge of management, we determine those matters that are of greatest importance in the audit of the current period's financial statements and are therefore key audit matters. We describe those matters in our auditor's report, unless law or regulation prevents public disclosure of the matter or when we decide, in extremely rare circumstances, that the matter should not be disclosed in our auditor's report because the adverse consequences of disclosure would reasonably be expected to outweigh the benefits to the public interest from such communication.

Report on Other Legal Requirements

1. On 26 June 2023 the Assembly of the Company appointed us on the proposal of the Supervisory Board to audit the annual financial statements for 2023.
2. At the date of this report, we have been continuously engaged in carrying out the Company's statutory audits, from the audit of the Company's annual financial statements for 2017, up to the audit of the Company's financial statements for 2023, which is a total of 7 year.
3. Our audit opinion is consistent with the additional audit report prepared for the Company's Audit Committee in accordance with provisions of Article 11 of Regulation (EU) No. 537/2014.
4. During the period between the initial date of the Company's audited annual financial statements for the year 2023 and the date of this report, we did not provide the Company with prohibited non-audit services, and in the business year prior to the aforementioned period, we did not provide services for the design and implementation of internal control procedures or risk management related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information, and in performing the audit we preserved independence in relation to the Company.

Zagreb, May 21, 2024

Moore Audit Croatia d.o.o.

Trg Johna Fitzgeralda Kennedyja 6b

10000 Zagreb



Darko Karić, director, certified auditor





BALANCE SHEET

	At 31 December 2023	At 31 December 2022
	in EUR	in EUR
ASSETS		
Concessions, patents, licenses, software and other rights	14,222,723	13,288,302
Advances for intangible assets	360,512	508,831
Intangible assets in progress	3,732,762	3,413,020
Intangible assets	18,315,997	17,210,152
Land	6,497,658	6,499,355
Buildings	5,241,715	4,953,739
Plant and equipment	17,822,269	16,641,447
Vehicles, tools and office equipment	1,337,945	1,324,901
Advances for tangible assets	512,358	56,931
Tangible assets in progress	7,385,401	6,692,750
Tangible assets	38,797,346	36,169,123
Financial assets	468,026	98,793
Deferred tax assets	8,975,207	8,397,401
NON-CURRENT ASSETS	66,556,577	61,875,469
Raw material and inventories	376,112	411,213
Advances for inventories		589
Inventories	376,112	411,802
Accounts receivable	20,820,488	21,602,456
Receivables from employees and shareholders	38,489	40,199
Receivables from government and other institutions	1,142,795	713,449
Other receivables	19,164	5,680
Receivables	22,020,936	22,361,784
Loans, deposits and similar	40,199,890	30,009,697
Financial assets	40,199,890	30,009,697
Cash at bank and in hand	66,284,312	63,670,387
CURRENT ASSETS	128,881,250	116,453,669
Prepaid expenses and accrued income	28,510,004	36,297,376
TOTAL ASSETS	223,947,831	214,626,515
OFF-BALANCE SHEET ITEMS	37,857,820	33,450,694

CAPITAL AND LIABILITIES

	At 31 December 2023	At 31 December 2022
	in EUR	in EUR
CAPITAL AND LIABILITIES		
Subscribed capital	59,725,264	59,725,264
Other reserves	39,260,342	34,507,897
Retained earnings		
Profit for the current year	17,294,749	11,881,112
CAPITAL AND RESERVES	116,280,354	106,114,272
Provisions for pensions, severance pays and similar liabilities	14,334,096	14,052,236
Other provisions	35,494,038	32,728,539
Provisions	49,828,134	46,780,775
Liabilities to banks and other financial institutions	14,668,954	20,116,755
Lease liabilities	515,560	149,186
Deferred tax liabilities	4,884	5,818
Long-term liabilities	15,189,398	20,271,759
Loan liabilities and deposits	285,148	186,049
Liabilities to banks and other financial institutions	6,775,029	8,251,612
Accounts payable	5,792,730	3,674,496
Liabilities to employees	8,430,188	4,368,282
Liabilities for taxes, contributions and similar fees	7,960,006	15,197,037
Other short-term liabilities	4,442,651	3,117,344
Short-term liabilities	33,685,753	34,794,819
Accrued expenses and deferred income	8,964,192	6,664,891
TOTAL CAPITAL AND LIABILITIES	223,947,831	214,626,515
OFF-BALANCE SHEET ITEMS	37,857,820	33,450,694

STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
	in EUR	in EUR
Sales revenue	122,740,436	127,899,133
Other operating revenues	3,471,790	3,104,547
Operating revenues	126,212,226	131,003,679
Raw material and material costs	(1,761,303)	(1,642,439)
Other external costs	(9,313,606)	(8,257,376)
Material costs	(11,074,909)	(9,899,814)
Net salaries and wages	(40,415,213)	(33,644,616)
Costs for taxes and contributions from salaries	(22,061,860)	(17,619,105)
Contributions on gross salaries	(12,182,619)	(10,169,623)
Staff costs	(74,659,692)	(61,433,344)
Depreciation	(10,225,183)	(9,975,089)
Other costs	(6,047,792)	(5,795,346)
Impairment of short-term assets	(135,122)	(8,059)
Impairment	(135,122)	(8,059)
Provisions	(3,878,239)	(20,288,840)
Other operating expenses		
Operating expenses	(106,020,937)	(107,400,493)
Financial income	1,356,430	277,220
Financial expenses	(437,899)	(465,032)
TOTAL INCOME	127,568,656	131,280,900
TOTAL EXPENSES	(106,458,836)	(107,865,525)
PROFIT BEFORE TAXATION	21,109,820	23,415,375
Profit tax	(3,815,071)	(11,534,263)
PROFIT FOR THE PERIOD	17,294,749	11,881,112
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	17,294,749	11,881,112

CASH FLOW STATEMENT

		2023	2022
		in EUR	in EUR
I	CASH FLOWS FROM OPERATING ACTIVITIES		
A	Profit before tax	21,109,820	23,415,375
	Adjustments:		
	Depreciation	10,225,183	9,975,089
	(Gains)/ losses from asset disposal and non-current asset revaluation	9,682	16,957
	Interest and dividend income	(538,408)	(164,562)
	Interest expense	405,023	394,805
	Provisions	3,047,360	19,581,415
	Foreign exchange differences (unrealized)	(5,623)	53,394
	Other adjustments for non-cash transactions and unrealized (gains / losses)	3,941	(506)
B	Adjustments	13,147,156	29,856,591
C= A+B	NET CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	34,256,977	53,271,966
	(Increase)/ Decrease in short-term liabilities	7,604,547	285,490
	(Increase) in short-term receivables	8,101,524	(6,473,513)
	(Increase)/ Decrease in inventories	35,690	(204,877)
D	Changes in working capital	15,741,762	(6,392,901)
E	Interest expenses	(406,773)	(280,114)
F	Profit tax paid	(15,187,279)	0
I=Σ(A:F)	NET CASH FLOWS FROM OPERATING ACTIVITIES	34,404,687	46,598,951
II	CASH FLOWS FROM INVESTING ACTIVITIES		
	Cash inflows from sale of non-current tangible and intangible assets	23,052	5,222
	Cash inflows from interest	1,353,231	164,562
	Cash inflows from repayments of loans and savings deposits	75,492	-
	Other cash inflows from investment activities	30,225,000	7,058
G	Total cash inflows from investing activities	31,676,776	176,841
	Cash outflows for purchase of non-current tangible and intangible assets	(13,381,862)	(7,552,610)

CASH FLOW STATEMENT

	Cash outflows for given loans and savings deposits for the period	(468,780)	(82,793)
	Other outflows from investing activities	(40,000,000)	(29,980,325)
H	Total cash outflows from investing activities	(53,850,642)	(37,615,728)
II= G+H	NET CASH FLOWS FROM INVESTING ACTIVITIES	(22,173,866)	(37,438,887)
III CASH FLOWS FROM FINANCING ACTIVITIES			
	Cash inflows from the loan principals, debentures, credits and other borrowings	-	26,544,562
	Other inflows from financial activities	4,563,547	964,384
J	Total cash inflows from financing activities	4,563,547	27,508,946
	Cash outflows from the loan principals and bonds	(6,924,384)	(7,121,755)
	Other outflows from financial activities	(7,256,058)	(249,394)
K	Total cash outflows from financing activities	(14,180,442)	(7,371,149)
III= J+K	NET CASH FLOWS FROM FINANCING ACTIVITIES	(9,616,895)	20,137,797
I+II+III	TOTAL NET CASH FLOWS	2,613,926	29,297,861
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	63,670,387	34,372,526
	CASH AND CASH EQUIVALENTS AT END OF PERIOD	66,284,312	63,670,387
	INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,613,926	29,297,861

STATEMENT OF CHANGES IN EQUITY

	Share (subscribed) capital	Other reserves	Retained earnings	Profit for the current year	Total
	in EUR	in EUR	in EUR	in EUR	in EUR
At 31 December 2022	59,725,264	34,507,897	0	11,881,112	106,114,272
Distribution of profit	-	11,881,112	-	(11,881,112)	0
Dividend payout	-	(7,128,667)	-	-	(7,128,667)
Profit for the current year	-	-	-	17,294,749	17,294,749
At 31 December 2023	59,725,264	39,260,342	0	17,294,749	116,280,354



ABBREVIATIONS

A4E	Airlines for Europe	CCO	Continuous Climb Operations
ACC	Area Control Center	CDA	Continuous Descent Arrival
ACE	ATM Cost-Effectiveness	CEF	Connecting European Facility
ACS	Area Control Service	CINEA	European Climate Infrastructure and Environment Executive Agency
ACE	ATM Cost-Effectiveness	CISM	Critical Incident Stress Management
ADI	Aerodrome Control Instrument	CNS	Communication, Navigation and Surveillance
ADSP	ATM Data Service Provider	COM	Communication
AIC	Aeronautical Information Circular	COOPANS	Cooperation between Air Navigation Service providers
AIP	Aeronautical Information Publication	CRCO	Central Route Charges Office
AIM/AIS	Aeronautical Information Management / Aeronautical Information Services	CTA	Controlled Area
AIXM	Aeronautical Information Exchange Model	CTR	Control Zone
AMDT	Amendment	CUSA	Croatian Unmanned Systems Association
AMC	Airspace Management Cell	DG	Director General
ANS	Air Navigation Services	DSD	Digital Sky Demonstrators
ANSP	Air Navigation Service Provider	DUC	Determined En Route Unit Cost
APCH	Approach	EAD	European Aeronautical Information Database
APS	Approach Control Surveillance	EC	European Commission
ARO	Airport Reservation Office	ELPAC	English Language Proficiency for Aeronautical Communication
ASM	Airspace Management	EMS	Environmental Management System
ATC	Air Traffic Control	ENR	En Route
ATCC	Air Traffic Control Center	ENV	Environment
ATCO	Air Traffic Control Officer	EoSM	Effectiveness of Safety Management
ATFCM	Air Traffic Flow and Capacity Management	ERM	Enterprise Risk Management
ATFM	Air Traffic Flow Management	EU	European Union
ATM	Air Traffic Management	EUMET-NET	European Meteorological Network
ATS	Air Traffic Services	EURO-CONTROL	European Organization for the Safety of Air Navigation
ATSEP	Air Traffic Safety Electronics Personnel	FAB	Functional Airspace Block
ATSP	Air Traffic Services Personnel	FAB CE	FAB Central Europe
BHANSNA	Bosnia and Herzegovina Air Navigation Services Agency	FEAST	First European Air Traffic Controller Selection Test
CAF	Croatian Armed Forces	FIC	Flight Information Centers
CANSO	Civil Aviation Navigation Services Organization	FIR	Flight Information Region
CAPEX	Capital Expenditure	FPD	Flight Procedure Design
CCAA	Croatian Civil Aviation Agency	FRA	Free Route Airspace
CCL	Croatia Control Ltd.	FUA	Flexible Use of Airspace
		HCL	HungaroControl

HRM	Human Resource Management	RPAS	Remotely Piloted Aircraft Systems
HVAC	Heating, Ventilation, and Air Conditioning	RP3	Third Reference Period, 2020-2024
IAC	Instrument Approach Chart	SATM	Specific ATM
IAP	Instrument Approach	SCL	Slovenia Control
IATA	International Air Transport Association	SDD	Static and Dynamic Data
IESBA	International Ethics Standards Board for Accountants	SeCMS	Security Management System
IFRS	International Financial Reporting Standards	SECSI	South East Common Sky Initiative
ISA	International Standards on Auditing	SEE FRA	South East Europe Free Route Airspace
JC	Just Culture	SES	Single European Sky
KEA	Key Environment Area	SESAR	Single European Sky ATM Research
KPA	Key Performance Area	SID	Standard Instrument Departure
KPI	Key Performance Indicator	SMATSA	Serbia and Montenegro Air Traffic Services
Ltd.	Limited	SMI	Separation Minima Infringement
M-NAV	Macedonian Air Navigation Service Provider	SMS	Safety Management System
MET	Aeronautical Meteorological Services	STAR	Standard Terminal Arrivals
MoD	Ministry of Defense	STATFOR	Statistics and Forecast Service
MSA	Minimum Sector Altitude	STDI	Synthetic Training Device Instructor
MSTI	Ministry of the Sea, Transport and Infrastructure	SUP	Supplement
NAVAID	Navigational Aid	SWIM	System Wide Information Management
NET	Network	TAA	Terminal Arrival Altitude
NM	Network Manager	TAM	Telephone Messaging Machine
NMOC	Network Manager Operations Center	TBO	Trajectory Based Operations
NOTAM	Notice to Airmen	TCL	Terminal Control
OJTI	On-the-Job Training Instructor	TCT	Tactical Controller Tool
OLDI	Online Data Interchange	TMA	Terminal Maneuvering Area
OPEX	Operating Expense	TOKAI	Toolkit for ATM Occurrence Investigation
OPS	Operations	TRA	Temporary Reserved Area
PBN	Performance Based Navigation	TSA	Temporary Segregated Area
PIB	Pre-flight Information Bulletins	TWR	Tower Control Unit (Aerodrome Control Tower)
PP	Performance Plan	UAS	Unmanned Aerial Systems
PRU	Performance Review Unit	UTM	Unmanned Aircraft System Traffic Management
QMS	Quality Management System	VFR	Visual Flight Rules
RI	Runway Incursion	VoIP	Voice over Internet Protocol
RNAV	Area Navigation	VRRS	Voice Recording and Replay System
RNP	Required Navigation Performance	WAM	Wide Area Multilateration

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