



CROATIA
CONTROL



ANNUAL REPORT 2021



CROATIA CONTROL LTD.

ANNUAL REPORT 2021



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MESSAGE FROM THE DIRECTOR GENERAL

TRAFFIC RECOVERY DESPITE PANDEMIC



I am pleased to note that 2021 was a successful business year, and this fact is substantiated by the data on traffic growth in the airspace under our responsibility in the period considered. The pandemic had a significant effect on air traffic operations in 2021, but some recovery was visible in the second part of the year due to the relaxation of epidemiological measures in Europe.

The total number of 460 thousand flights was way above our expectations and forecasts available in the first six months. Traffic growth was 53% when compared to 2020, however this was still 35% down on traffic from 2019, which had been the record year. The data on air traffic operations indicated that we were back on the traffic levels of 2010.

NEW SERVICES AS A CONTRIBUTION TO SUSTAINABILITY

In order to contribute to the sustainability of business operations, in 2021 we continued with development of new services. CCL became certified for the training of tower air traffic controllers, and a new tower simulator was commissioned in Split. It is a product of our know-how, indispensable for practical training.

CCL also became certified for the approach controllers training, thus creating a complete ATCO training system in CCL/Republic of Croatia in 2021. This system does not exist only on paper; it has become fully implemented. In 2021 we managed to carry out the complete in-house training of tower ATCOs in Croatia, demonstrating that even in difficult times we know what we want to do and we can do it when we have a common goal.

In 2021 we initiated the activities aimed at the certification for the provision of Flight Procedure Design (FPD) service in line with the EU legislation, which was successfully completed at the beginning of 2022. By being able to provide this new service, CCL has become one of the respectable air navigation service providers. We are looking forward to providing these services to other users, which will open up additional opportunities for us on the international market.

INVESTMENT CYCLE CONTINUES

In spite of the adverse circumstances caused by the pandemic, in 2021 CCL continued with intense investment activities, especially those related to the projects dealing with enhancing the air traffic safety and capacity. It should be stressed that when constructing new facilities we took into consideration full compliance with the criteria on the protection of environment and nature.

The most significant projects completed in 2021 were the commissioning of the new radio communications center in Risnjak National Park, new radar station in Konavle and especially the return of Osijek ATC to the renovated tower. The facilities of Osijek Regional ATC Unit were renovated exactly 30 years after being damaged in the Homeland War, which resulted in the improved working conditions for ATCOs and other personnel as well as improved quality and safety of services at Osijek Airport.

OVERALL FINANCIAL PERFORMANCE

Despite unprecedented risks that continued through 2021, CCL continually managed to deliver safe performance and required ANS infrastructure in the environment of significantly endangered liquidity due to substantially eroded air traffic coupled with "unbalanced" 2021 provisional en route unit rate which, due to short-term inflexibility, failed to reflect the COVID-19 business development.

It resulted in consecutive year business losses before tax incurred for 2021 (HRK -6.2 M, i.e. approx. EUR 0.8 million) following the unparalleled negative financial outlook from the year before (2020 HRK 56.9 M, i.e. approx. EUR 7.6 million), despite the continuation of profitability and liquidity savings measures put in place already in 2020.

Given the CCL's role of critical infrastructure provider, the cost savings measures in all business segments couldn't have been fully flexed and tailored according to the "new normal" since such a role calls for the full and safe ANS provision despite significant adverse changes in business climate.

The realized revised 2020/2021 cost efficiency target for CCL (i.e ENR DUC) as adopted within the revised Croatia RP3 Performance plan was 6.4% better than planned for the period.

ACHIEVEMENTS IN INTERNATIONAL RELATIONS

Together with our COOPANS Alliance partners, we decided to participate in innovation projects of the SESAR 3 program with the aim to modernize the joint ATM system. We are proud that our representative was given the second mandate as the director of the Alliance.

CCL has become a full member of MET Alliance, which is also a great step forward in international relations since now we are one of only eight members.

In 2021 we took additional steps in optimizing airspace by extending the South East Common Sky Initiative Free Route Airspace (SECSI FRA) towards South East Europe by incorporating North Macedonia and Albania. Further development of the FRA concept will also be a major contribution in achieving the goal of climate-friendly aviation by shortening the routes, which in turn will result in reducing CO2 emissions.

NEW CHALLENGES

We are currently faced with new challenges because traffic in Europe is heavily affected by the war in Ukraine, which caused rerouting of air traffic due to the closure of airspace in conflict zones. The near future of the air traffic industry remains quite uncertain due to the war and the effect of growing inflation combined with the growing price of fuel.

We still believe that traffic will significantly grow this year and reach the 2019 numbers. Finally, I would like to take this opportunity to thank our employees since they make their daily contribution to the success of the company by their expertise, dedication and professionalism.

Director General



Vlado Bagarić

COMPANY PROFILE

HISTORY

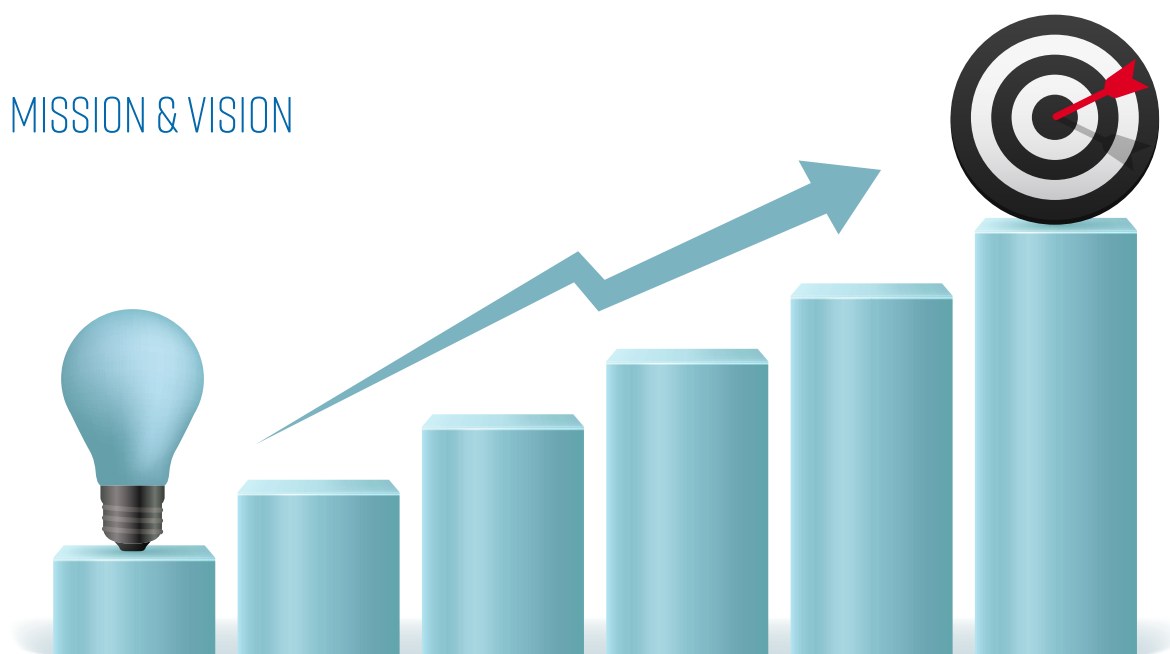
Croatia Control Ltd. (CCL) is an air traffic service provider fully owned by the Republic of Croatia.

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

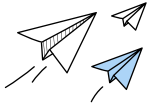


Our mission is to provide safe and quality air navigation services to the complete satisfaction of our users and owners. We will achieve our mission by cooperating with our partners in the European air traffic management network and fostering highly qualified employees and a motivating environment.

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

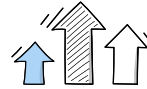
The values we nurture make our team successful and us an excellent employer:



- **Safety and Quality**
Safety always comes first.

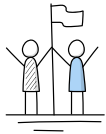


- **Excellence**
We create added value for all stakeholders.



- **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

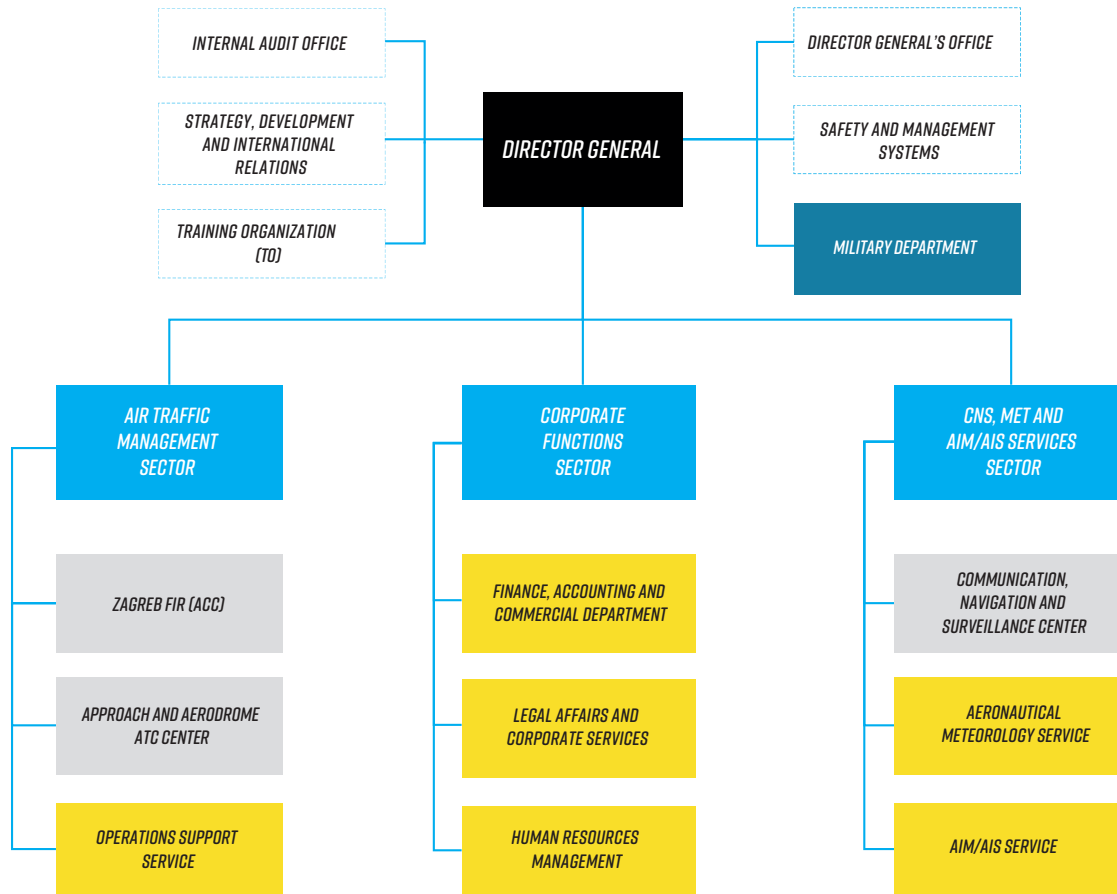
CCL is certified for the provision of the following services and functions:

- Air Traffic Services
- Communication, Navigation and Surveillance Services
- Aeronautical Information Services
- Aeronautical Meteorological Services
- Flight Procedure Design Services
- Airspace Management
- Air Traffic Flow Management



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.

FAB CE

The Functional Airspace Block Central Europe is a joint initiative of Croatia, Austria, Bosnia and Herzegovina, Hungary, the Czech Republic, Slovakia 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.

COOPANS

COOPANS is an international partnership consisting of Naviar, Austro Control, CCL, IAA, LFV and NAV Portugal. The COOPANS partners are working jointly to standardize and harmonize the technical equipment used for ATM. With Thales as the chosen supplier, COOPANS members implemented the same software in 7 ACC centers.

The primary objective of COOPANS is to ensure joint success and quality of services to its users while minimizing procurement costs of upgrades, as well as additional cost optimization during the lifespan of the system.

Significant activities in 2021:

- ➔ COOPANS Build B3.7+ was commissioned; it contains many operational improvements (upgrade of controllers' tools on user interface, improvements of intersectoral coordination, upgrade of direct communication with the aircraft - CPDLC, improvements in planning functions – MTCD, upgrade of Safety Nets)
- ➔ the upgrades that had already been contracted (B3.8 and B3.8+) were simultaneously developed, verified and /or validated
- ➔ new operational builds B3.9 and B3.10 were defined, and contract conclusion is planned for 2022
- ➔ new, improved, joint COOPANS Framework Agreement was concluded; it will enable system upgrades and maintenance in the next period.

The COOPANS cooperation includes a common approach to and participation in SESAR 2020, SESAR Deployment Manager, EU funding projects and the A6 Alliance in which COOPANS Alliance participates on an equal footing with the five largest ANSPs in Europe.

A6 ALLIANCE

The A6 Alliance works with SESAR and is a part of both SESAR Joint Undertaking, 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

CCL became a full member of MET Alliance in 2021. MET Alliance is a group of national aeronautical meteorological service providers from Austria, Belgium, Germany, Ireland, Switzerland, the Netherlands, France, Luxembourg, and now Croatia as well.

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

CORPORATE GOVERNANCE

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

ASSEMBLY

The Assembly consists of:

- Oleg Butković, Minister of the Sea, Transport and Infrastructure – President
- Zdravko Marić, Minister of Finance – Member
- Mario Banožić, Minister of Defense – Member

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:

- Vildana Megla – President
- Dora Matošić – Member
- Saša Crnec – Member
- Željko Gojko* – Member
Elected by the employees

MANAGEMENT

- Vlado Bagarić, Director General, represents the Management of the Company.

EXECUTIVE DIRECTORS

There are three main divisions in CCL managed by the following executive directors, as well as Military Department:

- Dubravko Meco, Executive Director of ATM Sector
- Alen Sajko, Executive Director of CNS, AIM/AIS Services Sector
- Teo Bratinčević, Executive Director of Corporate Functions Sector
- Nedeljko Zmajić, Executive Director of Military Department

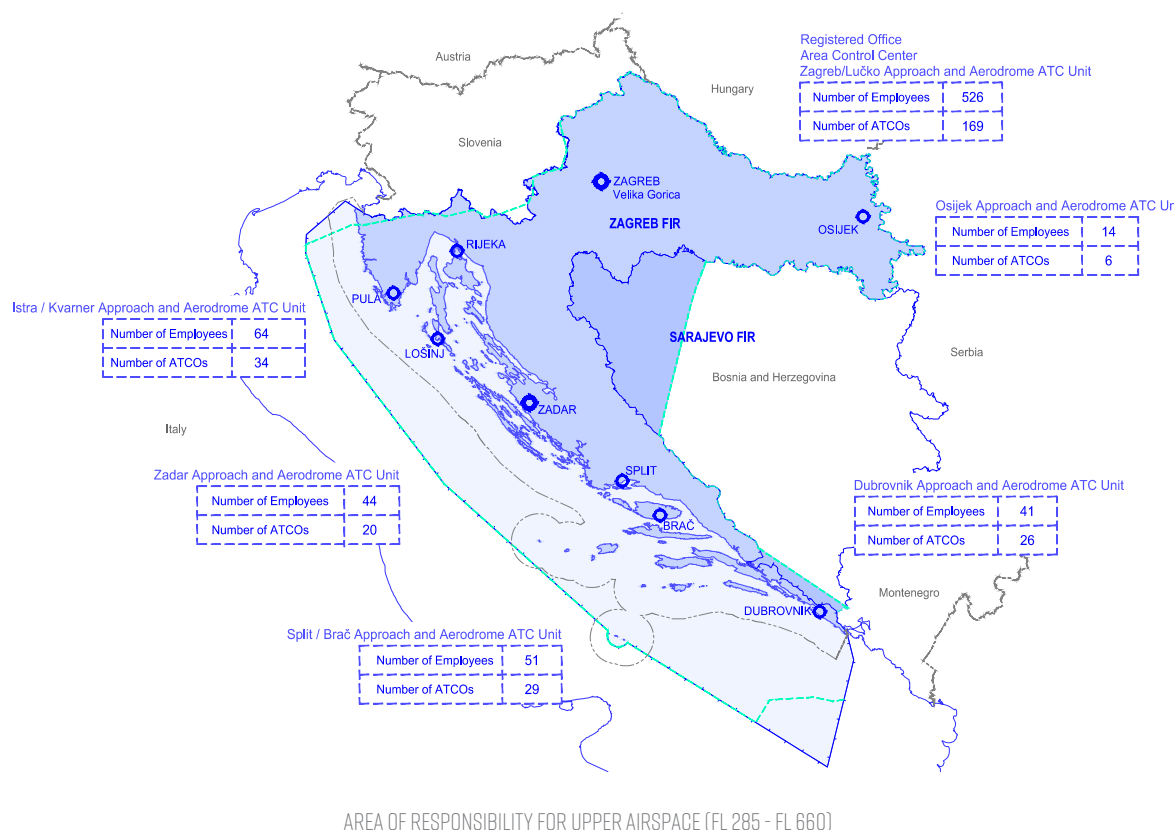


OPERATIONS AND INFRASTRUCTURE

OPERATIONAL UNITS

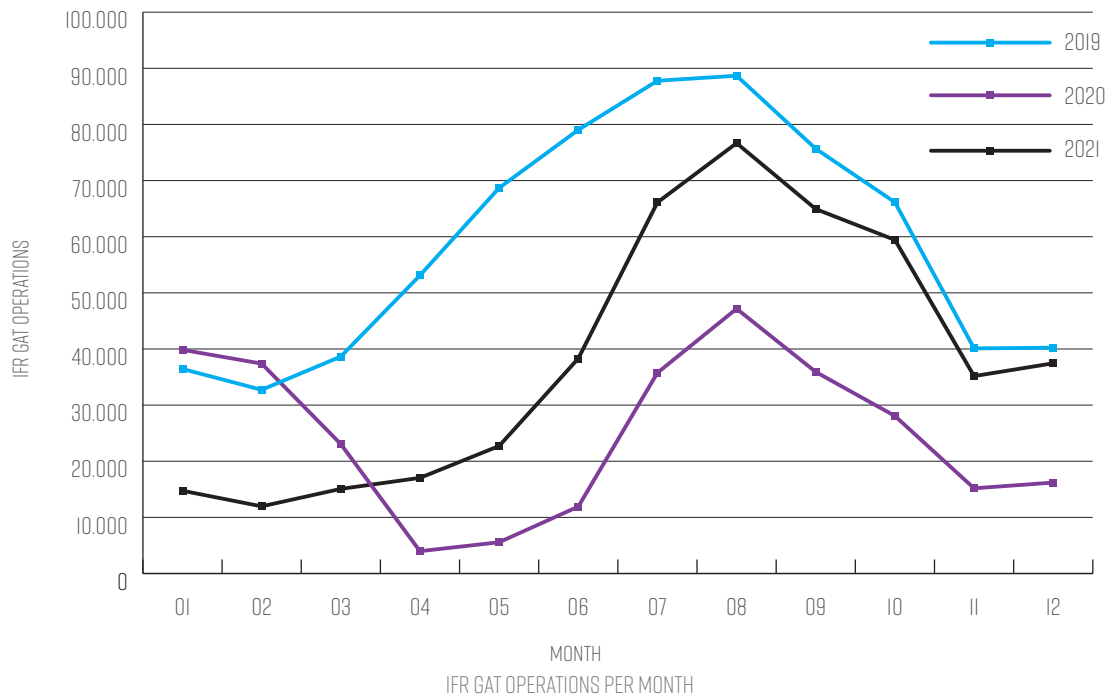
CCL's main operational units are as follows:

- 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)



TRAFFIC FLOW

Traffic in Croatian airspace is highly seasonal and the main flows run in South East-North West direction. The volume of traffic in the period May-October is much greater than the volume in the rest of the year. The intense seasonality of traffic means that CCL faces particular challenges in achieving a balance between the required capacity and use of resources throughout the year.



All of these flows were managed by Zagreb ACC, since 84% of overall traffic is en route.

OPERATIONAL IMPROVEMENTS

The measures aimed to prevent the spread of COVID-19 had a significant impact on air traffic operations, especially in the first half of 2021. It was quite uncertain whether the halt in air traffic would continue, and whether (and to what extent) it would recover in the season. The first indications of recovery were visible only in mid-May, while traffic results improved as the population became more interested in vaccination, so that the results at the end of the season were rather satisfying at 71% of 2019 traffic.

Operational improvements for the season are planned well in advance in order to provide a successful and timely response to traffic demand. However, the pandemic had temporarily halted the evaluation of changes implemented at the end of 2019 with the expected impact of changes in 2020 due to the lack of satisfactory traffic demand.

The primary expectation from these improvements is better capacity-related efficiency (while retaining the high level of safety), which is one of the requirements of the goals set in the annual Performance Plan. The effects of the project of airspace reorganization by introduction of the fourth lateral sector were visible in season 2021, when traffic demand in peak load periods required that up to 9 sectors be opened. Under the circumstances, the recorded delay was minimum, with 0.07 min/flight, which was within the goal set.

Among other local improvements we should mention the upgrade of ATM system with new functionalities for air traffic controllers; AMC Portal was also upgraded in order to improve the ASM procedures; the changes to the CRIT (Croatia - Italy) cross-border zone for military operations were implemented along with the optimization of procedures for zone management.

Additional improvement in more general sense was further development of SECSI FRA, i.e. its extension to the south by the inclusion of North Macedonia and Albania, thus expanding the FRA in which Croatia participates from six to eight states, with the plan of further extension in the future years.

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.

AMC PORTAL

CCL is one of the few ANSPs that developed their own ASM system, the AMC Portal. Following the global trends and expansion of UAS operations, CCL identified the new type of user and safety impact of UAS operations on ATM earlier than most ANSPs, and it continuously invests effort in safe integration of UAS operations in ATM environment with the aim of guarding achieved levels of flight safety and current standards.



CCL released a new version of the ASM system AMC Portal with functionalities that support ATC tactical approval of UAS operations and direct communication thru AMC Portal. CCL plays a key role as a hub of ATM knowledge that takes lead and coordinates all state UAS operations simultaneously working on awareness, education and coordination of all stakeholders.

Throughout 2021 the ASM department was also heavily involved in custom designed courses for government and civil service UAS operators, working closely together with all emergency services and first responders that embraced the capabilities of UAS operations.

ENVIRONMENT

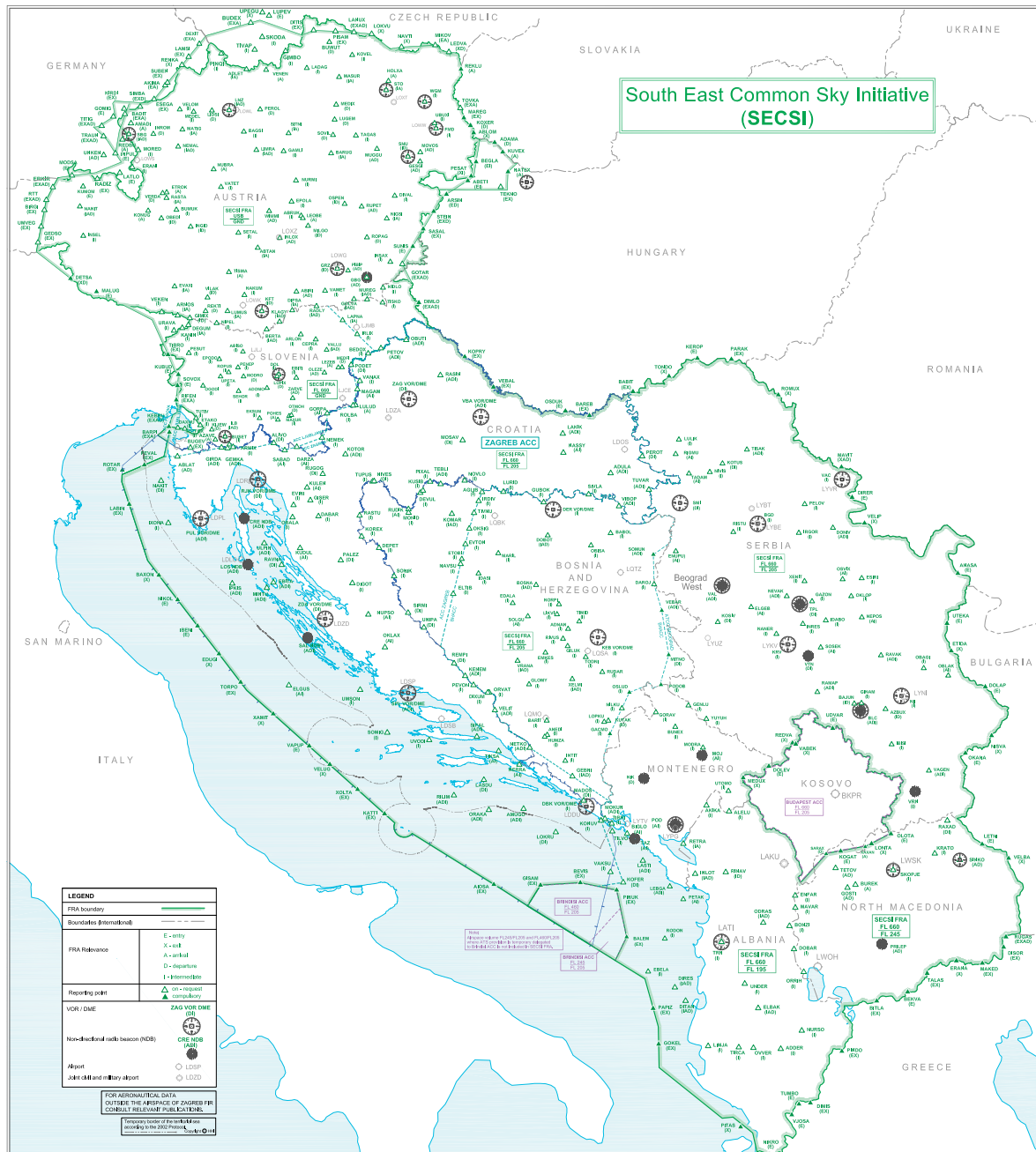
CCL takes appropriate actions to decrease fuel consumption of airspace users by route design and the implementation of performance-based navigation (PBN) routes.

In 2021 we 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 procedures are to be implemented on Lošinj Airport after the finalization of runway reconstruction.

The expected benefits of PBN implementation are traffic flow optimization, reduction of emissions of greenhouse gasses, 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 NOx emissions.

In 2021, two more states joined the SECSI FRA - North Macedonia and Albania (besides the existing members - Austria, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro and Serbia). Jointly, they make the significant geographical area on the South East axis more convenient for efficient planning.



The savings are being measured four times a year, in line with predefined parameters. In 2021 the analyses of potential savings in CO2 and NOx emissions were measured on the following selected dates: January 3, April 9, August 14 and December 17 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:

- **79.5 kg of fuel**
- **251 kg of CO₂ and**
- **1.35 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 maximum target for the period up to 2024 was set to 1.46% of the trajectory.

The result in 2021 was better than the set target and it was 1.34%, which confirms significant positive contribution to the control of harmful emissions in the FRA.

TECHNICAL INFRASTRUCTURE

OVERVIEW OF INVESTMENTS

CCL makes significant investments on annual basis due to compliance with regulatory requirements as well as to enhance safety and quality of services and to achieve performance targets.

The table below lists main investment project in 2021, compared with the annual business plan for 2021:

INVESTMENT PROJECT	REVISED BUSINESS PLAN FOR 2021 / MIL HRK	IMPLEMENTED IN 2021 / MIL HRK
Upgrade of ATM systems	7.66	9.61
Upgrade of COOPANS ATM system (ATM C1)	20.28	18.87
Voice communication	6.00	4.94
G/G voice communications systems upgrade	8.50	8.13
Navigation systems (including DMEs)	6.21	6.50
Konavle radar	1.10	1.28
Reconstruction of buildings and infrastructure	0.97	1.41
Modernization of HVAC and electric power systems	7.73	5.81
Flexible use of airspace	1.00	1.87
Modernization of tower and approach ATCO working positions	0.15	1.87
Other investments (less than HRK 1 million each in 2021)	22.89	7.25
TOTAL Investments in 2020	82.49	67.54

Due to the pandemic and ensuing financial crisis, the annual business plan was revised in 2021. As regards the revision of investment, some priorities were taken into account, especially safety of services. The highest investments were made in 2021 in accordance with the revised plan (planned HRK 59.6 million, implemented HRK 60.3 million).

INVESTMENT HIGHLIGHTS

NORTH ADRIATIC VHF/UHF RADIO CENTER

The North Adriatic Radio Center is situated on Guslica mountain peak on the edge of Risnjak National Park. It was commissioned in 2021 as the infrastructure facility for air-ground radio communication used by Zagreb ACC as well as by radar approach centers Pula and Zadar. It significantly improves radio coverage, especially on lower altitudes.

The cost of the project is approx. HRK 9 million, and 85% was co-financed by the Connecting Europe Facility of the European Union.

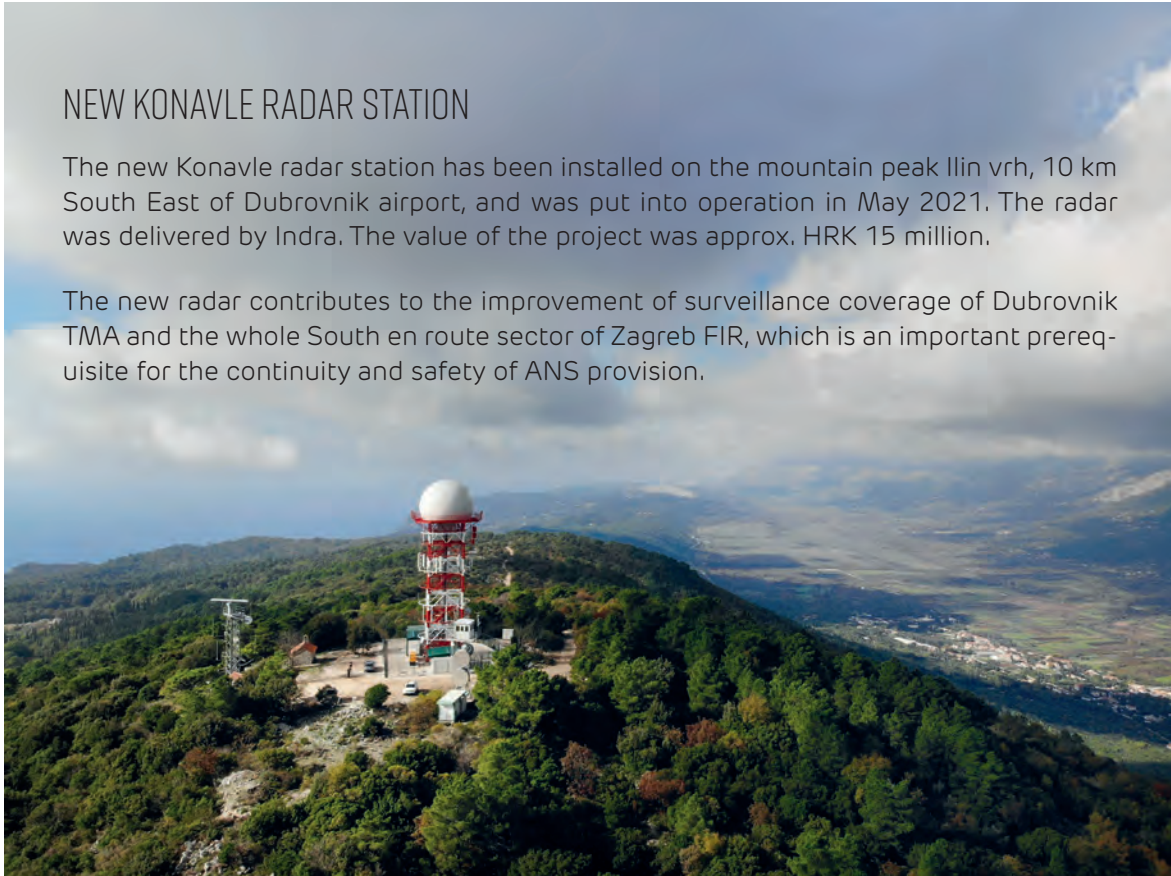


Guslica radio center was built in cooperation with Risnjak National Park, which uses it as a field station for their patrol service. The facility includes an automatic hydrometeorological station. This project demonstrates excellent interdepartmental coordination that resulted in a rational and efficient use of national resources. The radio center has been built meeting all the criteria for the protection of nature and environment, so it finally became an integral part of the protected and vast forest area of Gorski kotar.

NEW KONAVLE RADAR STATION

The new Konavle radar station has been installed on the mountain peak Ilin vrh, 10 km South East of Dubrovnik airport, and was put into operation in May 2021. The radar was delivered by Indra. The value of the project was approx. HRK 15 million.

The new radar contributes to the improvement of surveillance coverage of Dubrovnik TMA and the whole South en route sector of Zagreb FIR, which is an important prerequisite for the continuity and safety of ANS provision.



RECONSTRUCTION OF THE FACILITIES OF OSIJEK REGIONAL ATC UNIT AND ATC TOWER

As of May 2021, CCL provides the procedural approach and aerodrome air traffic services from newly refurbished facilities of Osijek regional ATC unit and a control tower, which had not been in function since 1991.

The building had been constructed in 1980, but it was abandoned at the beginning of the war in Croatia. In the meantime, ATC services had been provided from ancillary facilities situated on the roof of Osijek Airport building.

The control tower is equipped with cutting-edge ATCO working positions. The new premises will improve the working conditions of ATCOs and other staff as well as will enhance the quality and safety of services.

This investment of approx. HRK 7 million has also created the preconditions for the provision of adequate capacities in the future development of Osijek Airport.



SAFETY AND MANAGEMENT SYSTEMS

CCL has established an integrated management system which defines the framework for the implementation of activities from within its scope of work, with the aim to enhance the efficiency of service provision and air traffic safety in Croatia.

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.



NEW TOWER SIMULATOR IN SPLIT

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.

The Safety Committee is the highest corporate body reviewing and making decisions on safety and the SMS, according to the Safety Policy and Just Culture Policy. All of the executive directors and the Head of Safety and Management Systems are part of the Committee.

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:

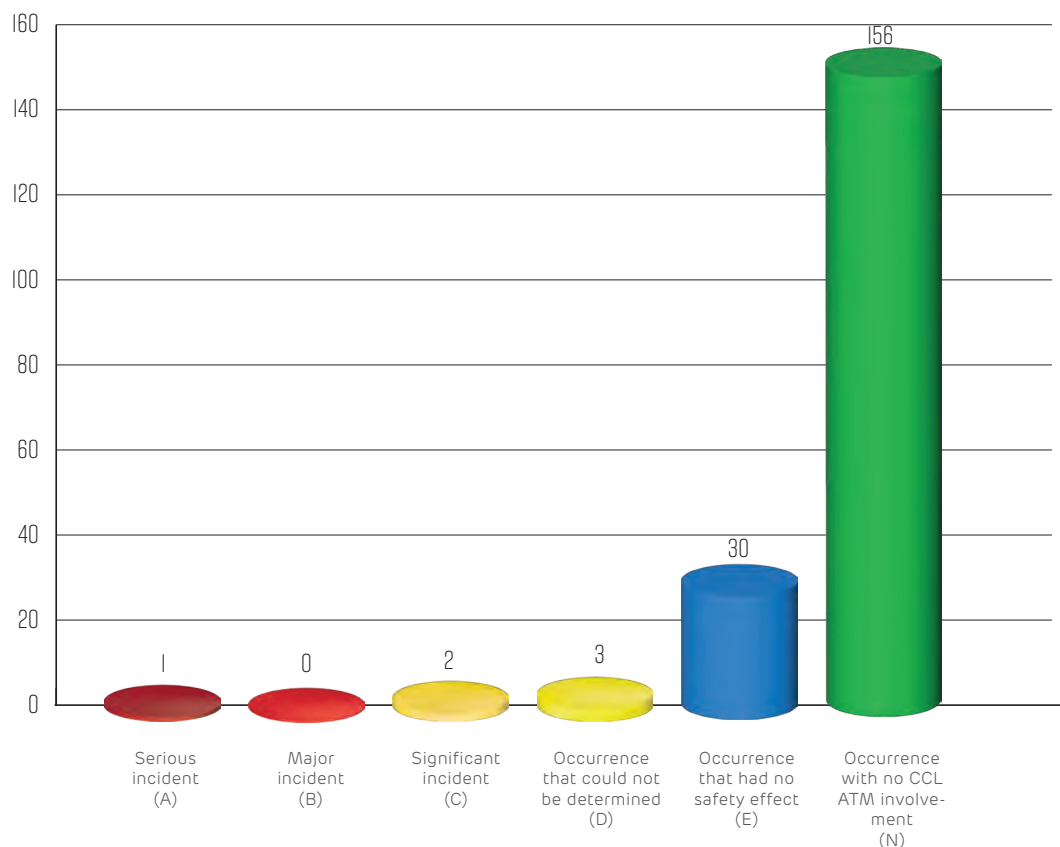
➔ *Level of effectiveness of Safety Management (EoSM)*

All Key Performance Indicator (KPI) targets defined in the Performance Plan for 2021 have been met and the trends in Performance Indicators (PIs) that are being monitored are positive.

➔ *Classification of severity of occurrences using toolkit for ATM occurrence investigation (TOKAI)*

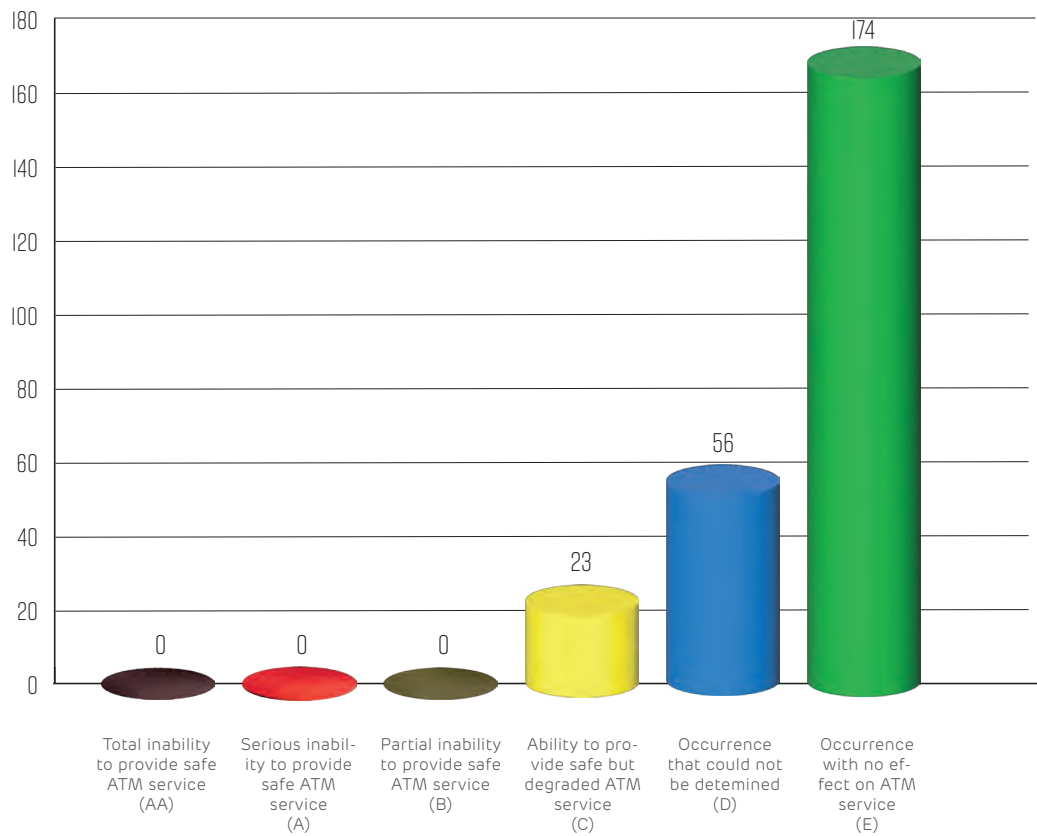
In 2021 there were 511 reported safety occurrences, 228 of which were ATM occurrences and 283 specific occurrences in ATM.

Severity of ATM occurrences was classified as follows:

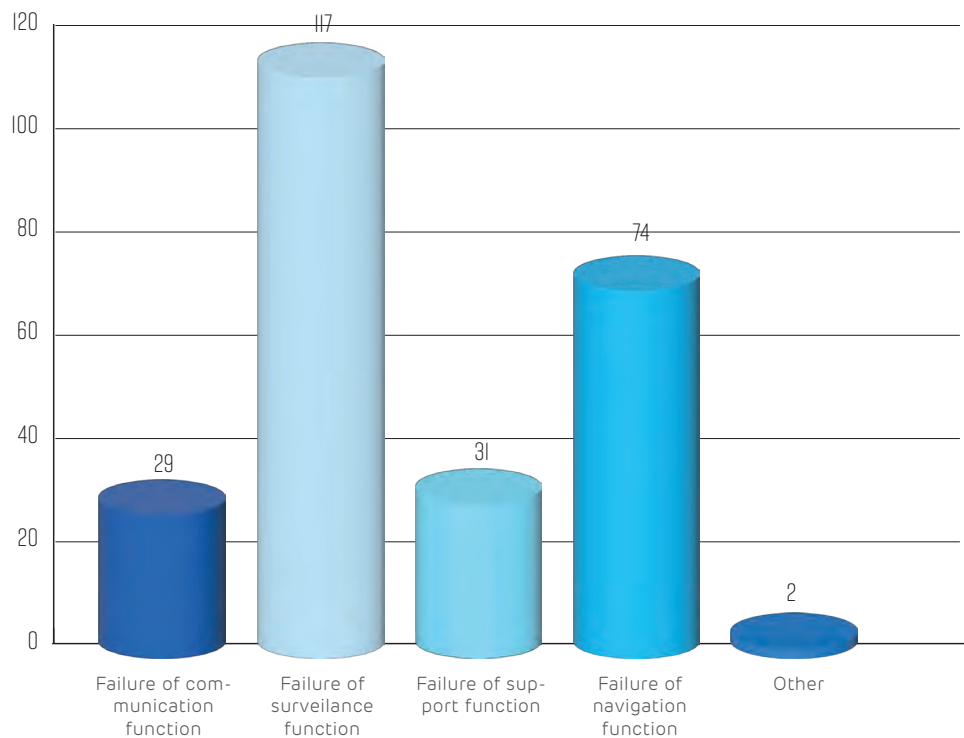


There was a case of separation minima infringement (SMI) with no CCL ATM involvement.

Out of 6 cases of runway incursion (RI) CCL was indirectly involved in 1 case, directly in 3 cases and in 2 cases there was no CCL ATM involvement.



Severity of SATM occurrences was classified as follows:



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 consultation 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	Service and products	Air carriers, ANSPs, data houses, Croatian Air Force
ATS	PBN	Air carriers, airports, Ministry of Defense



Consultations realized in the form of forum/
consultations/meetings

Airports and airfields

- ➔ Quality of distribution and publishing aeronautical data and information
- ➔ Guidance and coordination of technical and technological changes

ATCOs and FMPs

- ➔ Enhancement of MET services for ACC Zagreb

General aviation

- ➔ eGAFOR and enhancement of LLF

MoD, Croatian Armed Forces, Croatian Air Force and Air Surveillance Battalion

- ➔ Use of MoD sites for the installation of CCL's CNS equipment
- ➔ CCL's UHF/VHF center on Papuk radar station
- ➔ Upgrade/replacement of MoD network for radar data transmission
- ➔ Modernization of FPS-117 radar system (PSR and MSSR)
- ➔ Procurement/modernization of the aircraft and aircraft equipment in MoD
- ➔ MoD's interest for the integration of Konavle radar
- ➔ Draft plan for the reduction of number of NDBs
- ➔ CNS coordination in preparation of military exercises and lessons learned

- ➔ COOPANS FS ADSP and shared infrastructure

MoD, Croatian Armed Forces, Croatian Air Force

- ➔ Improvement of service provision for the needs of Croatian Armed Forces (CAF) and coordination of CCL with MoD/CAF

MoD, Croatian Armed Forces (with the stress on UAS users), Croatian Air Force, MIL AA

- ➔ Improvement of ASM for the needs of CAF and Allied Forces, military UAS operations

MoD, Croatian Armed Forces, Croatian Air Force, MIL AA, Ministry of the Interior, Ministry of the Sea, Transport and Infrastructure, Ministry of Agriculture, Civil Protection, Croatian Firefighting Association, Croatian Mountain Rescue Service

- ➔ Improvement of ASM for the operations of state-owned UAS

IATA, AIRE

- ➔ Enlarged Route Charges Committee

IATA, AIRE, CA AND EC/PRB

- ➔ Performance Plan

BHANSa

- ➔ Monitoring of the implementation of the Contract on the provision of radar data

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 94 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.

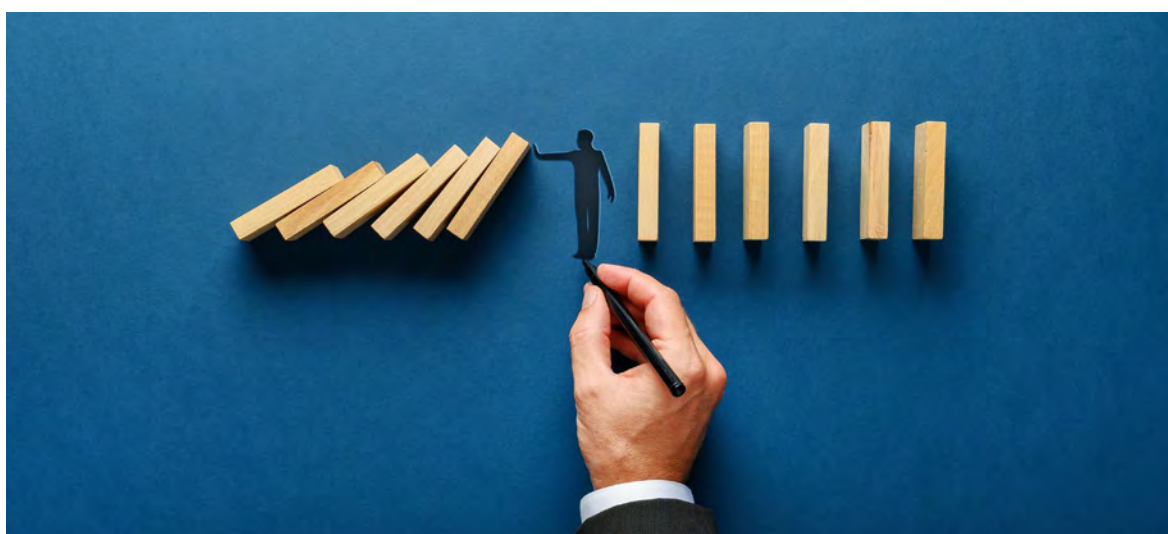
Waste management and generating hazardous waste is a significant aspect for CCL, which is continuously being monitored and updated. In waste management, CCL proceeds by respecting the basic principles and implementing waste hierarchy. Besides the municipal waste, CCL collects, separates and ecologically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

SECURITY MANAGEMENT

CCL's Security Management System (SecMS) ensures the security of employees and other persons in our premises, the security of facilities, technical devices and equipment, to prevent unlawful interference with service provision. CCL also protects business data which receives, produces or uses in any other way by making the access to these data available to authorized persons and institutions.

SecMS supports airspace and airport security, as regulated by the National Civil Aviation Security Program, and it plays a significant role in creating plans for business/service provision continuity and business recovery. The aim of the System is prevention and acting in accordance with the Security Policy, whereby the introduced measures must not slow down or otherwise impede our core business processes.

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.

ERM is a strategic organizational tool aimed at achieving the fundamental objectives of business operation and providing long-term sustainability of an organization in all aspects of its operation.

The methodological framework for setting up and implementing ERM includes the analysis of the entity's environment and operations, definition of its objectives, risk identification, assessment of risks and their impact on objectives, setting up a Risk Register, risk management measures, control, communication and reporting as well as continuous process monitoring and updating.

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.





ADDITIONAL SERVICES

MET

CCL provides aeronautical meteorology services, with emphasis on the continuous improvement of services, staff education and regional cooperation. In addition to the official MET products, CCL also issues additional products aimed at improving the air traffic safety, but also at facilitating the planning processes. For the users this means better resources management, which results in reduction of CO2 emissions.

eGAFOR is the newest addition to MET services. It was developed within the eGAFOR project led by CCL. eGAFOR has been in operation as of May 20, 2021. It is intended for general aviation and provides probabilistic forecast of meteorological elements and their effect on VFR flights in the territory of eight states pursuant to uniform and harmonized criteria.

CCL cooperates with MET services in neighboring states to improve weather forecasts for en route flights. From the point of view of air traffic safety, the coordination of SIGMET weather advisory on significant en route weather phenomena covering multiple neighboring states is of special importance.

In order to further improve forecast interpretation for the users, the CCL's forecasters participated in the activities of the EUROCONTROL Network Manager Operations Center as the lead MET forecasters, with the stress on traffic flow management 3 to 36 hours in advance. The planned traffic flows over Europe are frequently affected by thunderstorms in the summer season. Therefore timely and consistent, user (NM) oriented weather forecast contributes to air traffic safety and throughput as well as to the reduction in delay and consequently to CO2 emissions.



AIM/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, and the Aeronautical Publications Office.

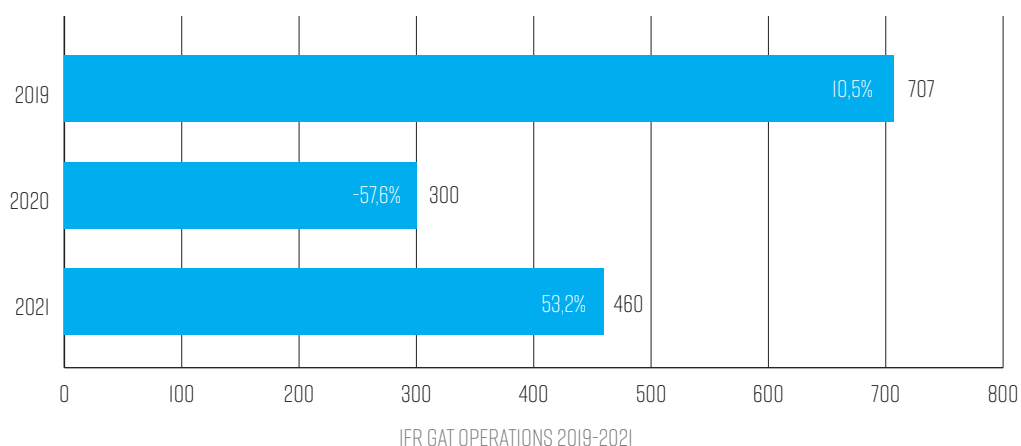
It provides aeronautical information products - AIP AMDT/SUP, Aeronautical Charts, AIC, NOTAM as well as PIB, lists of valid NOTAMs and checklists and additional publications such as VFR Manuals and VFR Chart with recommended VFR routes.

All aeronautical information are available in the European Aeronautical Database (EAD) in electronic format via EAD SDO, INO and PAMS modules. The electronic AIP of the Republic of Croatia is available, both in English and Croatian. AIM/AIS Department is also progressing in preparation for the transition of static data from AIXM 4.5 to AIXM 5.1 model, as well as to provide such data to the EAD SDD.

PERFORMANCE

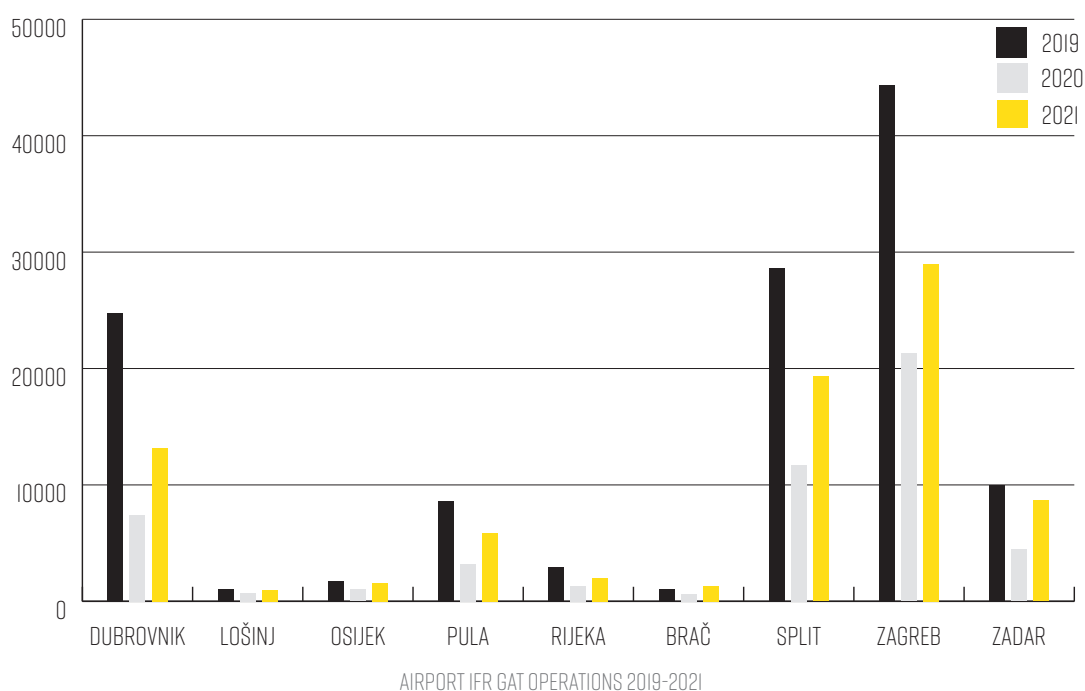
TRAFFIC

In 2020 and 2021 COVID-19 pandemic had a significant impact on aviation. However, air traffic recovery was recorded in 2021 in comparison to 2020, although in the first quarter of 2021 there were no clear signs of recovery with only 400 - 500 flights daily.



The traffic numbers started growing gradually in the season, peaking in August at approx. 2500 flights daily. In comparison to 2020 the increase in traffic was 53%, but compared to 2019 it was a 35% decline.

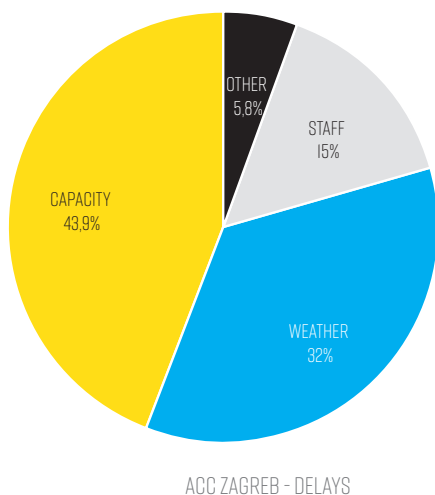
The airport traffic also doubled in comparison to the previous year; however, in comparison to 2019 this was still a decrease of one-third. Zagreb Airport was the busiest airport in Croatia, accounting for 35% of the total airport traffic in Croatia.



CONTROLLED OPERATIONS AND ATFM DELAYS

The relaxation of anti-COVID measures in the summer period and the increasing number of vaccinated persons in the EU resulted in the growing interest in travel, especially in August, when the number of en route fights, arrivals and departures reached almost 77,000, i.e. 14% less than in the same period in 2019.

On the other hand, total delays in that month climbed to 20,000 minutes, which, together with 10,000 minutes of delay in the rest of the year, remained within the planned efficiency of 0.07 minutes of delay per flight in 2021.



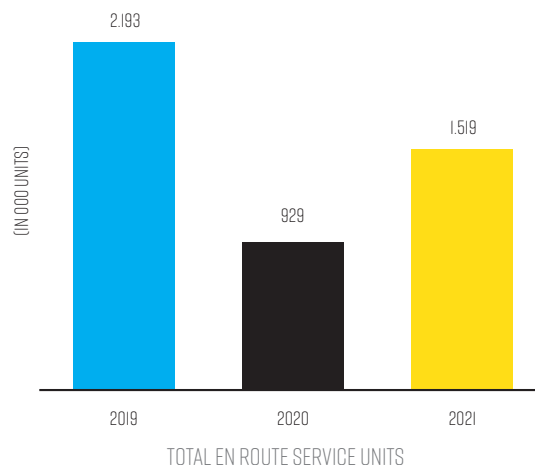
SERVICE UNITS AND UNIT RATES

TRAFFIC

EN ROUTE CHARGING ZONE

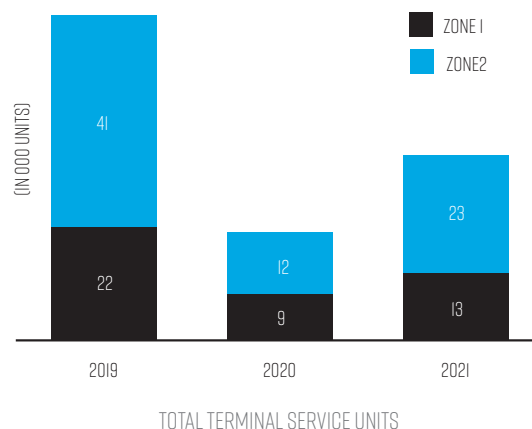
Following the unprecedented deterioration in global and European air traffic due to COVID-19 pandemic in 2020 (Croatia: -57.6% 2020/2019), 2021 proved to be air traffic (2021/2020: +63.5%) and business activity recovery period despite being still significantly eroded compared to pre-pandemic 2019 (2021/2019: -30.7%).

In 2021, a total number of 1,519 thousand en route service units was realized, almost the same gap compared to what had been planned for 2021 in revised RP3 PP.



TERMINAL CHARGING ZONE

In regard to traffic performance recorded in Croatian terminal charging zones comprising terminal Zone 1 (LDZA and LDZL) and terminal Zone 2 (other terminal ATCs), despite the significant recovery compared to 2020, in 2021 terminal operations eroded even more significantly than en route records compared to pre-pandemic 2019. During 2021 CCL realized approximately 35.4 thousand terminal service units, still 43.6% less when compared to pre-pandemic performance despite the 70.6% increase compared to 2020.



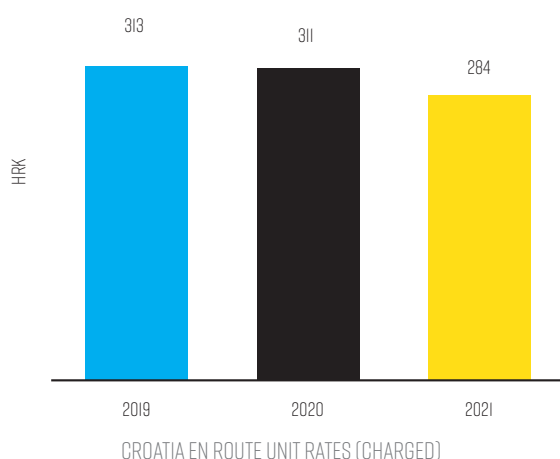
UNIT RATES

EN ROUTE CHARGING ZONE

Total budgeted en route costs for 2021, based on the draft (non-adopted) Croatian RP3 Performance Plan (PP) submitted to the EC in November 2019 were initially proposed in the amount that resulted in draft provisional budgeted 2021 en route unit rate ac-

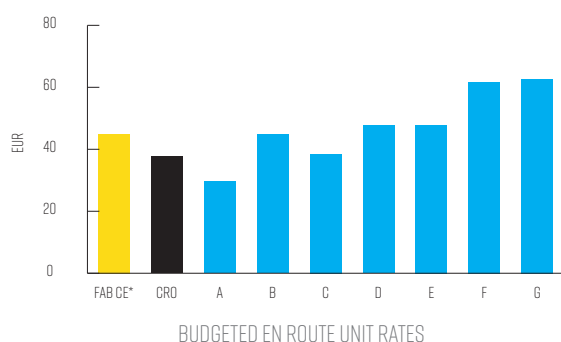
tually charged to users in the amount of HRK 284.12 (exclusive of administrative CRCO unit rate). This initially implied 8.6% nominal decrease compared to the provisional 2020 draft en route unit rate.

The following chart shows 2021 budgeted (i.e. charged) en route unit rate for Croatia based on the provisional draft RP3 PP (as of November 2019), exclusive of administrative unit rate.



Even though draft chargeable 2021 en route unit rates (based upon the November 2019 draft RP3 assumptions and targets) were only provisional until the adoption of the revised RP3 PPs by EC (April 2022-onwards), those were nonetheless charged to airspace users during the period, following the CER115 decisions (as of November 2020). Draft 2021 en route unit rate for Croatia was approx. 16.2% below the FAB CE average (exclusive of Croatia), and the second lowest in FAB CE region.

The following comparison comprises Croatia's neighboring states, most of which are FAB CE partners.



Note: Indicative budgeted FAB CE en route unit rate for 2021 for the purpose of this comparison was calculated exclusive of values for Croatia

Given that Performance & Charging regulation for RP3 (EU Regulation No. 2019/317) was updated during 2020 by COVID-19 "exceptional measures" (EU Regulation No. 2020/1627) and that revised EU-wide targets were set during spring 2021 (EU Regulation No. 2021/891), revised RP3 Performance plan submitted by Croatia in December 2021 was adopted by EC in April 2022.

Following the provisions of Performance & Charging "exceptional measures" regulation, the identified gap between finally eligible (i.e. revised) and actually charged draft and provisional en route unit rate for 2020/2021 resulted in the recognition of SES relevant long term contractual asset which is expected to be realized by 2027.

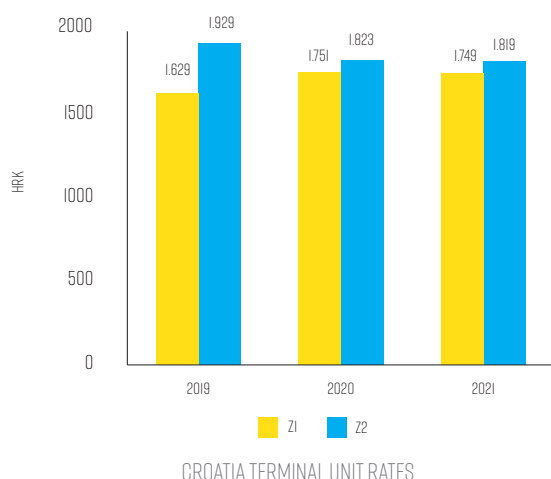
Finally eligible revised en route unit rate for 2021 was characterized by "exceptional measures" planning assumptions focused on protecting the necessary liquidity by significant cost saving measures widely applied by imposing salary cuts and limitations in non-core business activities despite the standards and requirements that apply to the providers of critical ANS infrastructure even in time of crisis.

Since the level of 2020/2021 savings did not fully compensate for the recorded traffic drop, the finally eligible, i.e. revised, en route unit rates for 2020/2021 overshoot their respective draft (i.e. provisional) values actually charged for the comparative periods.

TERMINAL CHARGING ZONES

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

Budgeted 2021 terminal unit rates were substantially at the 2020 level, i.e. HRK 1,749 (-0.1% when compared to 2020) for terminal Zone 1 (i.e. ATC center LDZA including LDZL) and HRK 1,819 (-0.2% when compared to 2020) for terminal Zone 2 (other ATC centers in Croatia).



FINANCIAL PERFORMANCE

OVERALL FINANCIAL PERFORMANCE

Despite unprecedented risks and uncertainties which marked the whole 2020/2021, in 2021 CCL continually managed to deliver safe performance and required ANS infrastructure - all in the environment of significantly endangered liquidity due to "unbalanced" provisional en route 2021 unit rate which for the reason of short-term inflexibility had omitted to acknowledge the COVID-19 business development.

This resulted in consecutive year business losses before tax incurred for 2021 (HRK -6.2 M, i.e. approx. EUR 0.8 million) following the unparalleled negative financial outlook from the year before (2020 HRK 56.9 M, i.e. approx. EUR 7.6 million), in spite of the continuation of profitability and liquidity savings measures put in place already in 2020. Given the CCL's status of critical infrastructure provider, the cost savings measures in all business segments couldn't have been fully flexed and tailored according to the "new normal" since such a role calls for the full and safe ANS provision despite significant adverse changes in business climate.

CCL's revenues were further eroded compared to previous period (-5.2%) despite the recorded significant recovery in 2021 traffic dynamics due to highly "unbalanced" draft 2021 en route charges which in time of adoption (November 2020; CER115) couldn't

have been adjusted for the 2020/2021 "exceptional measures" charging effects given the existing and specifically developed "exceptional measures" Performance & Charging framework (EU Regulation No. 2019/317 and 2020/1627 respectively).

REVENUES AND BUSINESS INCOME

During the year, CCL earned HRK 597.6 million (approx. EUR 79.3 million) in total revenues, resulting in further drop of 5.2% when compared to previous year and is in substance explained below:

Core Business Revenues (ANS charges and other core sales)

Having in mind the fact that air traffic development, even though in recovery, in 2021 still recorded significant minuses compared to pre-pandemic 2019, the only marginal increase of 1.2% in core business revenues which account for approx. 90.5% of total income and revenues is not a surprise following the application of "unbalanced", provisional 2021 en route unit rate significantly below the 2020 (see section Service Units and Unit Rates of this report) and the recognition of the remainder of SES "revenue gap" rights also significantly below 2020.

As explained earlier, 2020/2021 provisional en route charges were "unbalanced" and underestimated since they couldn't be corrected on the short term due to existing (EU Regulation No. 2019/317) and specifically developed "exceptional measures" of Performance & Charging framework (2020/1627) respectively.

Therefore HRK 541.1 million (approx. EUR 71.9 million) in 2021 core business revenues was earned, i.e. marginal development was +1.2% when compared to 2020 despite the fact that CCL has recognized additional HRK 47.9 million (approx. EUR 6.4 million; -78% compared to 2020) of 2021 "revenue gap" rights following the provisions of "exceptional measures" regulation.

Such an asset is expected to be realized until 2027 at the earliest.

Other Business Revenues

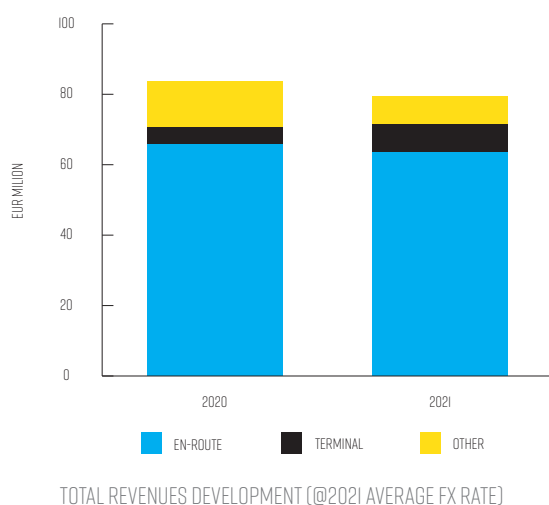
Other business revenues for 2021 in the amount of HRK 54.9 million (EUR 7.3 million), accounting for 9.2% of total revenues, were significantly below the level of previous year (-34.8%). The reason for this is significantly lower 2021 dynamics (-55.5%) in unwinding of historical provisions set up in previous periods for the financial risks that had been anticipated and expected to occur in the future (accounting for 53.1% of 2021 other business revenues).

The most significant part (90.3%) of such 2021 provisions' unwinding revenues specifically relates to previously created SES risk sharing provisions, part of which were realized during 2021 for the associated risks which materialized during the year.

Remaining movement in 2021 other business revenues not described by 2021 unwinding of historical provisions, mostly relates to deferred income associated with the EU funding facility received for financing of EU supported projects (accounting for approx. 33.7% in 2021 other business revenues).

Financial Income and Revenues

It comprises positive foreign exchange fluctuations and interest income and is considered non-operational and marginal since it amounts to 0.3% of 2021 total revenues.



As it is the case in ANS industry overall, CCL total revenues composition is traditionally

characterized by en route charges which are the most significant revenue source accounting for 79.8% of total revenues, whereas terminal charges accounted for approx. 10.3% in 2021 total revenues. Such significant slump in terminal charges shareholding, once compared to pre-pandemic periods, comes from the fact that 2021 en route charges revenues do and terminal charges revenues do not comprise "revenue gap" rights awarded by new "exceptional measures" Performance and Charging Regulation (2020/1627).

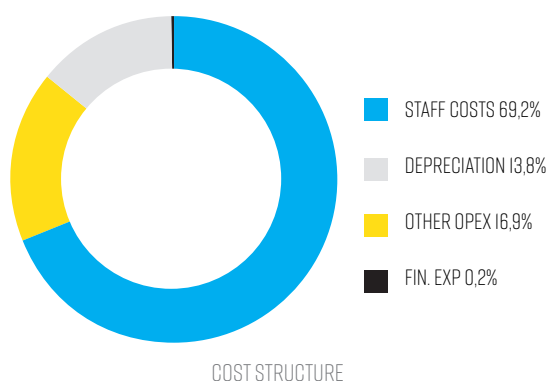
Other non-ANS charges business revenues (core and non-core sales revenues) together with financial revenues accounted for 9.8% in 2021 total.

Costs and Expenditures

Actual total costs and expenditures incurred for 2021 were further 12.1% below the 2020 level (-25.7% compared to 2019). This implies total 2021 actual costs and expenditures of HRK 603.8 million (approx. EUR 80.2 million).

With 2021 traffic only recovering towards the pre-pandemic levels (2021/2019: -31.1% cumulatively for ENR and terminal), the continuation of cost savings initiatives during the year was of utmost importance with staff costs containment measures being the most significant driver for recorded further -12.1% consecutive year push in the total cost and expenditures records compared to the previous period.

Many of the staff related and general business related activities were put on hold or postponed due to significant traffic and capacity related uncertainties stemming from coronavirus omicron variant peaking in autumn 2021, which further undermined business prospective and increased liquidity risks which had to be assured. Like the year before, the absence of additional SES "risk sharing" associated regulatory provisions stemming from the Performance & Charging SES regulatory framework characterized 2021 cost and expenditures records, since credible levels of SES related provisions have already been created in the prior periods.



Total costs reductions were achieved through the exceptional and temporary staff costs saving measures such as salary cuts and easing of 2021 severance costs pressure, postponement of ATCO recruitment plan, postponement or freeze of replacements for retirements plan, containment of business expenses related to business trips, maintenance and external services as well as OPEX associated to postponed RP3 investment projects.

As in 2020, such business activity continued in 2021 was proven not to be sustainable in the long run.

Staff Costs

Cost containment measures were continued during 2021 in the form of exceptional and temporary salary cost cuts with easing of severance costs pressure, postponement of ATCO recruitment plan and training, postponement or freeze of replacements for retirements plan and auxiliary staff recruitment plan for which the recruitment initiatives had already been initiated before the pandemic outbreak.

Therefore 2021 staff costs (HRK 417.7 million, i.e. approx. EUR 55.5 million) were -10.5% compared to previous period and -8.1% compared to pre-pandemic 2019 which was like 2021 characterized by comparable severance costs records.

Depreciation Costs

Financial effects stemming from the depreciation schedule being fully closed on the part of the critical operational asset build – CroATMS COOPANS systems, have significantly contributed to easing of 2021 depreciation costs being some 28.1 % below the

2020 actuals. Furthermore, slowed down or postponed realization of a part of revised RP3 CAPEX plan also contributed to relaxation in 2021 depreciation costs charges (HRK 83.1 million, i.e. approx. EUR 11.0 million).

Realization of the substantial part of the revised RP3 CAPEX plan in the remaining period remains to be one of the central business goals.

Other Operating Expenditures (excl. financial costs)

Some of CCL's business costs summarized in other (non-staff) operating expenditures (i.e. OPEX; HRK 102.0 million; approx. EUR 13.6 million) were marginally above the 2020 level (+1.4%; which was still -58.3% compared to 2019) mostly due the increase of energy and utility prices and additional creation of other, non-SES related provisions following the IFRS framework requirements.

However, this cost category continued recording a significant contribution to 2021 total costs value with a share of 17.0 %.

The most significant 2021 OPEX drivers that positively contributed to stabilization of 2021 OPEX spending compared to 2020 were CCL-wide OPEX push down initiatives resulting in a range of slowed down or postponed normalized and necessary business activities: ATCO training, business trips, maintenance activities, external services, etc. This was proven possible due to the continuation of exceptional cuts in a series of business activities related to existing business operational assets as well as to postponed and redefined (both in scope and scale) new, revised RP3 CAPEX/asset plan and execution.

Such business activity is proven not to be sustainable in the long run.

Financial Costs and Expenditures

They comprise mostly negative foreign exchange fluctuations and interest expenses and are considered non-operational and marginal since they amount to 0.2% in total costs and expenditures.

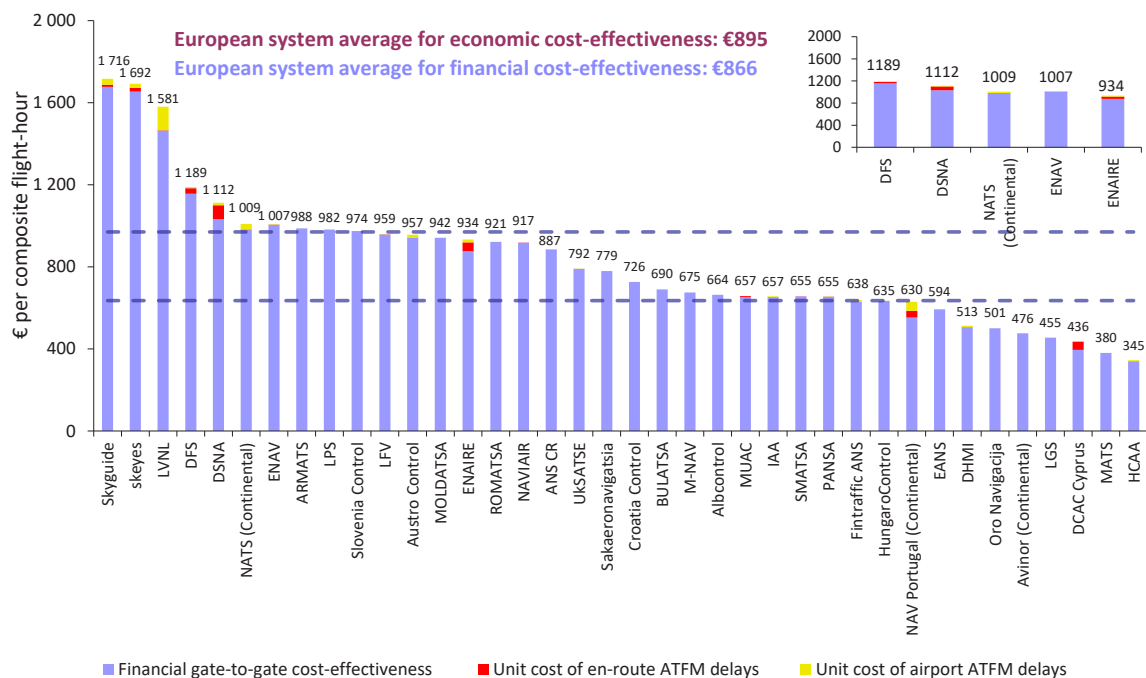
COST EFFECTIVENESS

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) 2020 Benchmarking Report dated June 2022, an average Pan-European system-wide gate-to-gate economic cost-effectiveness was EUR 895 per composite flight hour. Due to the decrease in traffic, ATFM

delays were not a major performance issue in the period, therefore economic cost effectiveness records were in general very close to or at the level of financial cost effectiveness.

At the same time CCL performed 18.9% better than the European system average in terms of 2020 economic cost effectiveness. Such performance placed CCL close to the lower quartile region implying that during the same period CCL had been providing ANS close to the group of top 25% performing European ANSPs in terms of financial cost effectiveness and significantly below the European system average.



ECONOMIC GATE-TO-GATE COST-EFFECTIVENESS INDICATOR, 2020 (FINAL FIGURES)

COST EFFICIENCY KPA

Given that the unprecedented COVID-19 business environment as of 2020 has substantially and directly affected a development and re-definition of the new, "exceptional measures" RP3 Performance & Charging regulation, resulting in development of the revised RP3 performance targets and plans, no RP3 cost efficiency performance standalone were set for 2020 and 2021, but for a 2020/2021 package period.

The realized revised 2020/2021 cost efficien-

cy target for CCL and Croatia (hereinafter: ENR DUC or DUC) as adopted within the revised RP3 Performance plan of Croatia (adopted in April 2022) were respectively 6.4% and 6.1% better than planned for the period following the:

- ➔ total ENR costs in nominal terms being 5.4% (and 5.2%) lower than 2020/2021 revised plan for CCL (and Croatia), which at the 2 p.p. higher inflation index than planned resulted in total ENR costs in real terms (at 2017 prices) being -6.1% (and -5.8%) compared to plan, with
- ➔ 2020/2021 traffic has been substantially realized at the level planned (+0.3%).



HUMAN RESOURCES

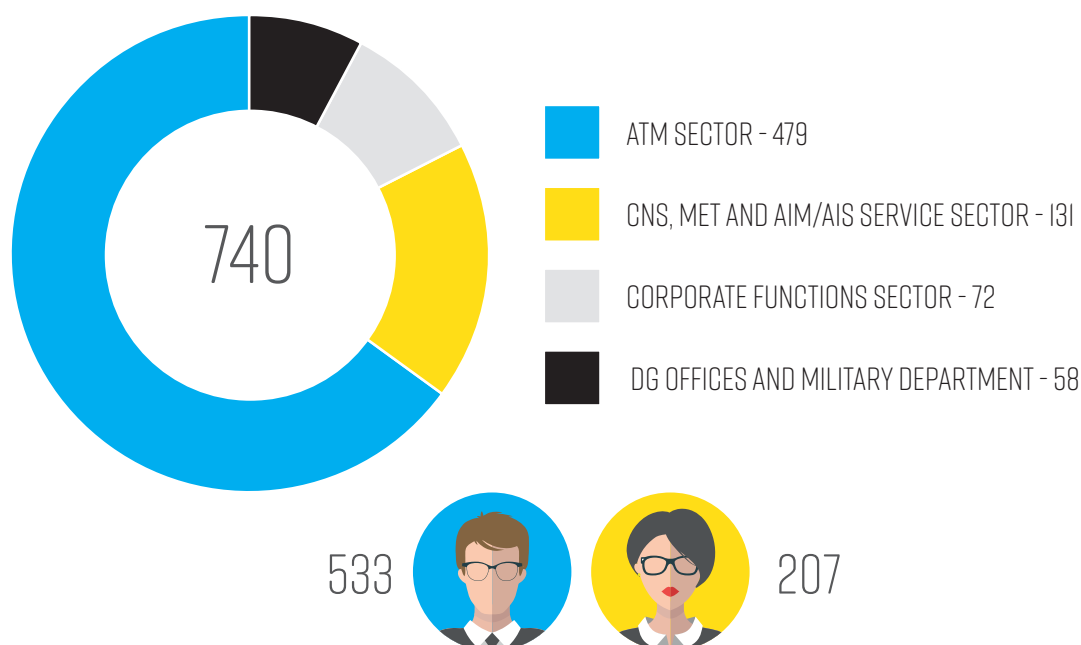
CCL employs the staff with adequate qualifications, to enable safe, high quality and continuous provision of services.

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 2021, the total number of employees was 740 – 533 men and 207 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 29, while 32 employees left the Company in 2021.

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, aeronautical supporting and administrative staff was conducted according to the internal testing procedures.

TRAINING

In 2021 CCL was successfully certificated for the ADI/TWR and APS/TCL rating training and, with an earlier certification for the basic training of all controllers and ACS rating training, an integral ATCO training system was established. A tower simulator was also reinstated with the software developed by CCL controllers, including 80 exercises designed by instructors from all over the country.

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

TYPE OF TRAINING	NUMBER OF PARTICIPANTS
Basic training	25
ACS Rating Training	32
ADI/TWR Rating Training	18
Unit Training	28
Renewal/Revalidation Training	7
OJTI/STDI and Assessor Training	45
Conversion Training	225

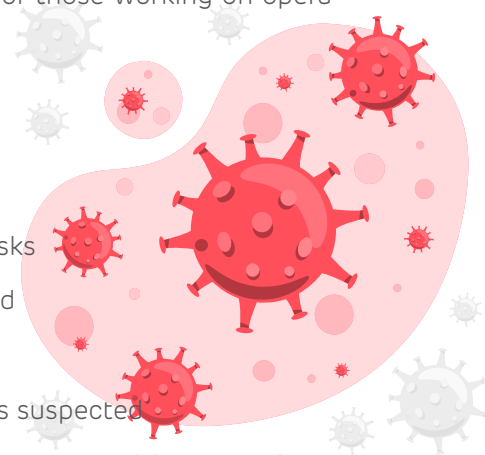
HEALTH AND SAFETY

The crisis situation was declared in 2021 in CCL due to COVID-19 pandemic.

Crisis Management Team, in cooperation with the Crisis Intervention Team, has introduced the following measures aimed at the protection of health of employees and ensuring the continuity of operations:

- ➔ Mandatory use of face masks indoors (the only exception was for those working on operational sectors due to the specifics of technology used)
- ➔ Regular disinfection of facilities is performed
- ➔ Physical distance of at least 2 m was kept
- ➔ Employees' body temperature is measured daily
- ➔ Work from home was implemented in the periods of increased risks
- ➔ Number of persons seated at a table in the restaurant was limited
- ➔ Mandatory form is to be completed by all visitors
- ➔ Employees would inform the company when infectious disease is suspected
- ➔ When entering CCL premises, CCL employees and visitors were to present COVID certificate or other proof of vaccination, testing or recovery from COVID-19, pursuant to the Decision of the Croatian National Civil Protection Headquarters dated November 16, 2021
- ➔ 24/7 team for psychosocial support was organized
- ➔ Live meetings are to be avoided; use of web conference applications is strongly advised
- ➔ Only necessary business trips are allowed

In case of quarantine not advised by a family doctor but based on the arrangement between the employer and the employee, the employee works from home, while the salary is not reduced as in the case of sick leave (CCL bears all wage costs).



OUTLOOK AND PRIORITIES FOR 2022

While COVID-19 pandemic caused an unprecedented crisis in the air transport sector, the consequences of which were also seen in 2021 with the gradual traffic recovery in the early summer season, 2022 is the year in which CCL will lay the foundation for the period to come.

The Company's priority for 2022 is to make a significant contribution to the performance targets stated in the Republic of Croatia's Performance Plan (Commission Decision (EU) 2022/764) by investing in human and capital resources (primarily in the modernization of ATM systems), with a clear goal to further develop and modernize the Company.

Goals and priorities for 2022 are as follows:

Safety

- to reach the targets in Safety KPA as set in the approved Performance Plan
- to start with the development of new safety tools (i.e. Safety Dashboard, integrated platform for analyzing and researching security-related events etc.)

Capacity

- to realize the average annual ATFM en route delay at 0.16 minutes/flight
- to reach baseline capacity of 156 operations within an hour

Environment

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



A large commercial airplane is shown from a low angle, positioned on a runway. The aircraft is silhouetted against a vibrant sunset sky with shades of orange, pink, and purple. The tail fin and wings are prominent. In the background, runway markers with the numbers '12' and 'D' are visible.

Cost Efficiency

- ➔ to reduce DUC value for the 2022 (in EUR 2017) on en route activities by 23.2% compared to combined 2020/2021

Finance

- ➔ to maintain the financial stability indicator less than 1

Technical systems

- ➔ to continue with the implementation of technical projects the scope and dynamics of which are consistent with the planned traffic development
- ➔ to set up future investments in order to achieve the EU goals on harmonization and interoperability of the ATM system

Other

- ➔ to continue with development of MET services for ATM system
- ➔ to continue with the implementation of a new national AIM database
- ➔ to improve AMC functionality and efficiency
- ➔ to further improve QMS effectiveness



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 2021 are prepared in accordance with the Accounting Act (Official Gazette No. 78/15, 134/15, 120/16, 116/18, 42/20, 47/20) and the International Financial Reporting Standards as adopted by the European Union and published in the Official Journal of the European Union, to give a true and fair view of the financial position, the results of business 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 and published in the Official Journal of 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



Vlado Bagarić, Director General

CROATIA CONTROL LTD.

Rudolfa Fizira 2

10410 Velika Gorica

June 7, 2022

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 2021, which comprise the Statement of Financial Position / Balance Sheet as at 31 December 2021, Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement for the year ended, and Notes to the financial statements, including a summary of significant accounting policies and other explanations.

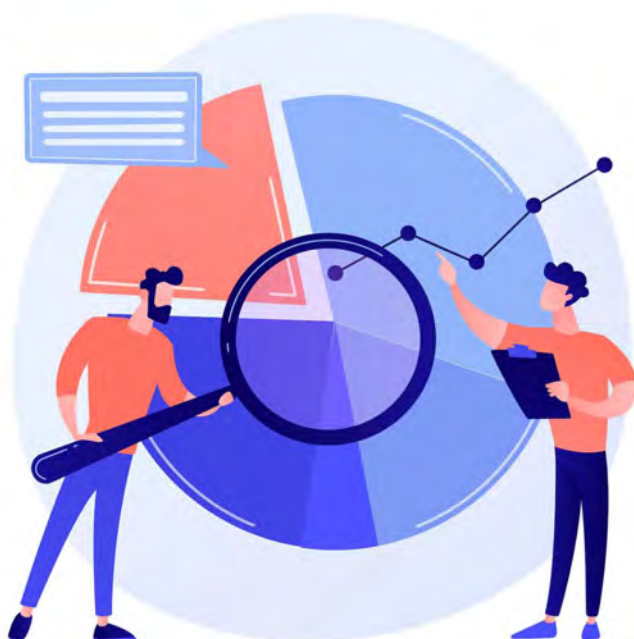
In our opinion, the enclosed financial statements give a true and fair view, of the financial position of the Company as at 31 December 2021, its financial performance and the cash flows for the year then ended, in accordance to the Accounting Act and the International Financial Reporting Standards (IFRSs) as adopted by the European Union and published in the Official Journal of the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with the Accounting Act, Audit Act and 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") 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, and they include identified most significant risks of material misstatement due to error or fraud with the highest impact on our audit strategy, resources available and the time spent by the engaged audit team. 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 TANGIBLE ASSETS

Description

Non-current intangible and tangible assets as at 31 December 2021 amount to HRK 419,146 thousand, which represents 37% of the total assets. Total value of current assets was HRK 382,733 thousand (34% of the assets), and its largest share in the amount of HRK 258,980 thousand relates to the item Cash, which normally does not represent a complex position in the Balance Sheet. Given the material significance of non-current intangible and tangible 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 2021, the procurement of intangible and tangible assets totaled HRK 68,370 thousand 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 HRK 4,187 thousand in 2021 was capitalized to the related projects.

How these issues were addressed in the audit

Our audit procedures included, among others, as follows:

- ➔ Assessment of the harmonization of recognition of the intangible and tangible assets with the relevant International Financial Reporting Standards
- ➔ Testing of the internal controls related to the process of procurement of tangible and intangible 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 tangible and intangible assets in 2021 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 tangible 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 tangible and intangible assets in materially significant items have been recorded and published 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 2021, the Company stated a provision, among other, for contingent liabilities arising from the SES (Single European

Sky) regulatory framework in the amount of HRK 108.516 thousand (31 December 2020 in the amount of HRK 134.773 thousand).

Also, based on the SES regulatory framework, the Company reported contractual assets in the amount of HRK 266.330 thousand (31 December 2020 in the amount of HRK 218.399 thousand).

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 reservations, i.e. contractual assets.

Due to the significance of the reported amounts of SES reservations and contracted 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 issue.

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) 2020/317 and 2021/1627 which prescribe a mechanism for the protection of air service providers.
- Assessment of the compliance of the policy of recognition of intangible and tangible assets with IFRS;
- Checking the accuracy of the calculation of the required amounts of SES reservations
- Checking the parameters used in the calculation
- Checking the accuracy of the calculation of the required amounts of contractual assets
- Comparison of calculations with the Performance Plan

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

Other Information in the Annual Report

The Management Board of the Company is responsible for the other information. The Other Information contains the data included in the Annual Report, but does not include the annual financial statements and our Independent Auditor's Report on these statements.

Our opinion on the annual financial statements does not cover the other information except inasmuch as expressly stated in a part of our Independent Auditor's Report under the title Report on other legal requirements, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The 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 charged with governance 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 the 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 charged with governance 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.

Report on Other Legal Requirements

Report in view of requirements of Regulation (EU) No. 537/2014

1. On 30 June 2021 we were appointed by the Assembly of the Company to carry out an audit of annual financial statements for 2021.
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 2021, which is a total of 5 year.
3. Besides issues that our independent auditor's report identified as key audit matters within the subsection Report on the audit of annual financial statements, we have nothing to report regarding Article 10 item (c) of Regulation (EU) No. 537/2014.
4. By performing the audit of the Company's financial statements for 2021 as stipulated by law, we are able to detect irregularities, including fraud in accordance with Section 225 of the IESBA Code, Responding to Non-Compliance with Laws and Regulations, which requires us, in carrying out our audit engagement, to establish whether the Company complied with laws and regulations that are generally recognized to have a direct impact on the determination of significant amounts and their disclosures in annual financial statements, as well as other laws and regulations that do not have a direct effect on the determination of significant amounts and their disclosures in annual financial statements, but where observing them may be crucial for operational aspects of the Company's business, its ability to continue as a going concern or its avoidance of significant penalties.

Except where we encounter or become aware of disrespect of any of the aforementioned laws or regulations which is considered insignificant according to our judgment of its content and its influence, financial or otherwise, regarding the Company, its stakeholders and the wider public, we are obliged to inform the Company thereof and seek to investigate such case, as well as take appropriate measures to resolve irregularities and prevent the occurrence of such irregularities in the future. Should the Company fail to correct irregularities regarding the position on the date of audited balance sheet arising on the basis of incorrect disclosures in audited annual financial statements that are cumulatively equal to or greater than the amount of significance for financial statements as a whole, we are required to modify our opinion in an independent auditor's report.

In the audit of the Company's annual financial statements for the year 2021, we determined the significance for financial statements as a whole in the amount of HRK 19,000,000, representing approximately 1.68% of total assets. For the purpose of the calculation of materiality the assets were taken as a criterion because the main activity and task of the Company is rendering air navigation services to civilian and military users of the airspace of the Republic of Croatia, as well as of the airspace which has been delegated to the Company to manage, pursuant to international conventions and agreements for the provision of which the property and its technological modernity (software and equipment) are of key importance. In ad-

dition, the Company operates in a regulated activity, which includes the regulation of the unit price of the service. In line with the aforementioned, the primary goal of the Company is not to make profit or to increase the value for its owners, as it is the case with other economic operators operating on the market, therefore it is not the revenues that are the key category when reviewing the financial statements of the Company, but the assets which enable the Company to perform its function.

5. 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.
6. During the period between the initial date of the Company's audited annual financial statements for the year 2021 and the date of this report, we have not provided the Company with any prohibited non-audit services. In the business year before that period, we did not provide services regarding the design and implementation of internal control and risk management procedures related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information. Moreover, we have maintained our independence in the performance of the audit in relation to the Company.

Report in view of requirements of the Accounting Act

1. In our opinion, based on activities we have carried out during the audit, the data contained in the accompanying management report of the Company for 2021 have been aligned with the accompanying annual financial statements of the Company for 2021.
2. In our opinion, based on activities we have carried out during the audit, the accompanying management report of the Company for 2021 was prepared in accordance with the Accounting Act.
3. Based on our knowledge and understanding of the Company's business and its environment gained within the scope of our audit, we have not established any significant misstatements in the accompanying management report of the Company.

Zagreb, June 7, 2022

Audit d.o.o.

Trg Johna Fitzgeralda Kennedyja 6b

10000 Zagreb

Darko Karić, director

Zoran Vuk, certified auditor





STATEMENT OF COMPREHENSIVE INCOME

	2021	2020
	in HRK	in HRK
Sales revenue	542,044,162	535,675,313
Other operating revenues	53,921,328	83,274,994
Operating revenues	595,965,490	618,950,307
Raw material and material costs	(9,388,935)	(8,474,224)
Other external costs	(51,770,879)	(52,495,358)
Material costs	(61,159,814)	(60,969,582)
Net salaries and wages	(229,426,500)	(243,925,985)
Contributions and taxes from salaries	(118,114,241)	(144,094,995)
Contributions on gross salaries	(70,170,418)	(78,645,466)
Staff costs	(417,711,159)	(466,666,446)
Depreciation	(83,097,539)	(115,551,244)
Other costs	(23,348,808)	(27,553,150)
Impairment of short-term assets	(574,420)	(723,181)
Impairment	(574,420)	(723,181)
Provisions	(14,947,453)	(8,144,462)
Other operating expenses	(1,935,808)	(3,190,955)
Operating expenses	(602,775,001)	(682,799,020)
Loss from operating activities	(6,809,511)	(63,848,713)
Financial income	1,647,324	11,271,004
Financial expenses	(1,043,079)	(4,308,955)
Gain from financing activities	604,245	6,962,049
TOTAL INCOME	597,612,814	630,221,311
TOTAL EXPENSES	(603,818,080)	(687,107,975)
PROFIT BEFORE TAXATION	(6,205,266)	(56,886,664)
Profit tax	1,660,999	10,278,496
PROFIT FOR THE PERIOD	(4,544,267)	(46,608,168)
NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	(4,544,267)	(46,608,168)

BALANCE SHEET		
	At 31 December 2021	At 31 December 2020
	in HRK	in HRK
ASSETS		
Concessions, patents, licenses, software and other rights	101,708,554	101,171,534
Advances for intangible assets	17,975	268,472
Intangible assets in progress	24,955,486	33,163,917
Intangible assets	126,682,015	134,603,923
Right of use assets	1,852,214	2,724,071
Right of use assets	1,852,214	2,724,071
Land	48,969,390	48,969,390
Buildings	44,589,156	46,940,411
Plant and equipment	115,674,604	113,133,972
Vehicles, tools and office equipment	13,283,827	10,710,317
Advances for tangible assets	617,584	4,423,334
Tangible assets in progress	69,329,001	79,098,046
Tangible assets	292,463,562	303,275,470
Financial assets	120,275	120,590
Deferred tax assets	59,274,535	57,599,208
NON-CURRENT ASSETS	480,392,601	498,323,262
Raw material and inventories	1,559,072	1,727,350
Inventories	1,559,072	1,727,350
Accounts receivable	116,128,615	103,299,791
Receivables from employees and shareholders	388,087	281,425
Receivables from government and other institutions	5,552,503	32,143,403
Other receivables	72,487	207,861
Receivables	122,141,692	135,932,480
Loans, deposits and similar	52,883	-
Financial assets	52,883	-
Cash at bank and in hand	258,979,795	351,849,167
CURRENT ASSETS	382,733,442	489,508,997
Prepaid expenses and accrued income	272,792,737	223,680,452
TOTAL ASSETS	1,135,918,780	1,211,512,711
OFF-BALANCE SHEET ITEMS	413,310,165	409,376,163

CAPITAL AND LIABILITIES		
	At 31 December 2021	At 31 December 2020
	in HRK	in HRK
Subscribed capital	450,000,000	450,000,000
Other reserves	264,544,017	273,034,433
Retained earnings	-	38,117,752
Loss for the current year	(4,544,267)	(46,608,168)
CAPITAL AND RESERVES	709,999,750	714,544,017
Provisions for pensions, severance pays and similar liabilities	94,254,577	85,054,272
Other provisions	110,679,002	136,984,185
Provisions	204,933,579	222,038,457
Liabilities to banks and other financial institutions	23,686,862	67,435,450
Lease liabilities	1,108,388	1,979,367
Deferred tax liabilities	28,271	13,944
Long-term liabilities	24,823,521	69,428,761
Loan liabilities and deposits	807,986	798,605
Liabilities to banks and other financial institutions	43,570,779	44,813,175
Accounts payable	43,487,354	49,767,775
Liabilities to employees	21,318,544	23,545,800
Liabilities for taxes, contributions and similar fees	18,976,601	21,288,174
Other short-term liabilities	8,979,232	9,223,917
Short-term liabilities	137,140,496	149,437,446
Accrued expenses and deferred income	59,021,434	56,064,030
TOTAL CAPITAL AND LIABILITIES	1,135,918,780	1,211,512,711
OFF-BALANCE SHEET ITEMS	413,310,165	409,376,163

STATEMENT OF CHANGES IN EQUITY					
	Share (subscribed) capital	Other reserves	Retained earnings	Profit for the current year	Total
	in HRK	in HRK	in HRK	in HRK	in HRK
At 31 December 2015	412,759,600	21,527,557	38,481,567	48,640,006	521,408,730
Share capital increase	37,240,400	(37,240,400)	-	-	-
Distribution of profit	-	48,640,006	-	(48,640,006)	-
Profit for the current year	-	-	-	68,972,956	68,972,956
At 31 December 2016	450,000,000	32,927,163	38,481,567	68,972,956	590,381,686

STATEMENT OF CHANGES IN EQUITY

	Share (subscribed) capital	Other reserves	Retained earnings	Profit for the current year	Total
	in HRK	in HRK	in HRK	in HRK	in HRK
At 31 December 2016	450,000,000	32,927,163	38,481,567	68,972,956	590,381,686
Distribution of profit	-	68,972,956	-	(68,972,956)	-
Profit for the current year	-	-	-	91,318,246	91,318,246
At 31 December 2017	450,000,000	101,900,119	38,481,567	91,318,246	681,699,932
	Share (subscribed) capital	Other reserves	Retained earnings	Profit for the current year	Total
	in HRK	in HRK	in HRK	in HRK	in HRK
At 31 December 2017	450,000,000	101,900,119	38,481,567	91,318,246	681,699,933
Distribution of profit	-	91,318,246	-	(91,318,246)	-
Profit for the current year	-	-	-	52,702,277	52,702,277
At 31 December 2018	450,000,000	193,218,365	38,481,567	52,702,277	734,402,210
	Share (subscribed) capital	Other reserves	Retained earnings	Profit for the current year	Total
	in HRK	in HRK	in HRK	in HRK	in HRK
At 31 December 2018	450,000,000	193,218,365	38,481,567	52,702,277	734,402,210
First adoption of IFRS 16	-	-	(363,815)	-	(363,815)
Distribution of profit	-	52,702,277	-	(52,702,277)	0
Profit for the current year	-	-	-	27,113,790	27,113,790
At 31 December 2019	450,000,000	245,920,642	38,117,752	27,113,790	761,152,185
	Share (subscribed) capital	Other reserves	Retained earnings	Profit for the current year	Total
	in HRK	in HRK	in HRK	in HRK	in HRK
At 31 December 2019	450,000,000	245,920,642	38,117,752	27,113,790	761,152,185
Distribution of profit	-	27,113,790	-	(27,113,790)	0
Profit for the current year	-	-	-	(46,608,168)	(46,608,168)
At 31 December 2020	450,000,000	273,034,432	38,117,752	(46,608,168)	714,544,017
	Share (subscribed) capital	Other reserves	Retained earnings	Profit for the current year	Total
	in HRK	in HRK	in HRK	in HRK	in HRK
At 31 December 2020	450,000,000	273,034,432	38,117,752	(46,608,168)	714,544,017
Distribution of losses	-	(8,490,416)	(38,117,752)	46,608,168	0
Loss for the current year	-	-	-	(4,544,267)	(4,544,267)
At 31 December 2021	450,000,000	264,544,016	0	(4,544,267)	709,999,750

CASH FLOW STATEMENT			
		2021	2020
		in HRK	in HRK
I	CASH FLOWS FROM OPERATING ACTIVITIES		
A	Profit before tax	(6,205,266)	(56,886,664)
	Adjustments:		
	Depreciation	83,097,539	115,551,244
	(Gains)/ losses from asset disposal and non-current asset revaluation	(6,923,375)	1,241,914
	Interest and dividend income	(1,039,628)	(1,346,365)
	Interest expense	747,412	1,378,088
	Provisions	(17,104,878)	(40,801,475)
	Foreign exchange differences (unrealized)	312,029	6,993,772
	Other adjustments for non-cash transactions and unrealized (gains / losses)	(397,426)	734,205
B	Adjustments	58,691,673	83,751,383
C= A+B	NET CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	52,486,407	26,864,719
	(Decrease) in short-term liabilities	(8,742,981)	(3,149,633)
	(Increase) in short-term receivables	(61,323,935)	(241,557,725)
	(Increase)/ Decrease in inventories	(7,309,668)	10,698
D	Changes in working capital	(77,376,584)	(244,696,660)
E	Interest expenses	(651,068)	(1,284,487)
F	Profit tax paid	23,325,681	(23,507,399)
I=Σ(A:F)	NET CASH FLOWS FROM OPERATING ACTIVITIES	(2,215,564)	(242,623,827)
II	CASH FLOWS FROM INVESTING ACTIVITIES		
	Cash inflows from sale of non-current tangible and intangible assets	66,127	13,394
	Cash inflows from interest	1,039,628	1,346,364
	Other cash inflows from investment activities	-	122,493,229
G	Total cash inflows from investing activities	1,105,755	123,852,987
	Cash outflows for purchase of non-current tangible and intangible assets	(63,487,699)	(88,137,037)
	Cash outflows for given loans and savings deposits for the period	(52,586)	-
H	Total cash outflows from investing activities	(63,540,285)	(88,137,037)

CASH FLOW STATEMENT

II= G+H	NET CASH FLOWS FROM INVESTING ACTIVITIES	(62,434,530)	35,715,950
III	CASH FLOWS FROM FINANCING ACTIVITIES		
	Cash inflows from the loan principals, debentures, credits and other borrowings	-	2,335,895
	Other inflows from financial activities	20,782,278	22,443,241
J	Total cash inflows from financing activities	20,782,278	24,779,136
	Cash outflows from the loan principals and bonds	(44,667,614)	(43,903,992)
	Other outflows from financial activities	(4,333,942)	(4,982,922)
K	Total cash outflows from financing activities	(49,001,556)	(48,886,914)
III= J+K	NET CASH FLOWS FROM FINANCING ACTIVITIES	(28,219,278)	(24,107,778)
I+II+III	TOTAL NET CASH FLOWS	(92,869,372)	(231,015,655)
	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	351,849,167	582,864,822
	CASH AND CASH EQUIVALENTS AT END OF PERIOD	258,979,795	351,849,167
	INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(92,869,372)	(231,015,655)



ABBREVIATIONS

ACC	Area Control Center	CNS	Communication, Navigation and Surveillance
ACS	Area Control Service	COOPANS	Cooperation between Air Navigation Service providers
ACE	ATM Cost-Effectiveness	CPDLC	Controller Pilot Data Link Communications
ADSP	ATM Data Service Provider	CRCO	Central Route Charges Office
ADI	Aerodrome Control Instrument	CroATMS	Croatian Air Traffic Management System
AIC	Aeronautical Information Circular	CTA	Controlled Area
AIP	Aeronautical Information Publication	CTR	Control Zone
AIM/AIS	Aeronautical Information Management / Aeronautical Information Services	DG	Director General
AIRE	Airlines International Representation in Europe	DME	Distance Measuring Equipment
AIXM	Aeronautical Information Exchange Model	DUC	Determined En-Route Unit Cost
AMDT	Amendment	EAD	European Aeronautical Information Database
AMC	Airspace Management Cell	EC	European Commission
ANS	Air Navigation Services	EMS	Environmental Management System
ANSP	Air Navigation Service Provider	ENR	En route
APS	Approach Control Surveillance	EoSM	Efficiency of Safety Management
ASM	Airspace Management	ERM	Enterprise Risk Management
ATC	Air Traffic Control	EU	European Union
ATCC	Air Traffic Control Center	EURO CONTROL	European Organization for the Safety of Air Navigation
ATCO	Air Traffic Control Officer	FAB	Functional Airspace Block
ATFM	Air Traffic Flow Management	FAB CE	FAB Central Europe
ATM	Air Traffic Management	FIR	Flight Information Region
ATS	Air Traffic Services	FMP	Flow Management Position
ATSEP	Air Traffic Safety Electronics Personnel	FPD	Flight Procedure Design
BHANSA	Bosnia and Herzegovina Air Navigation Services Agency	FRA	Free Route Airspace
CA	Croatia Airlines	FS	Functional System
CAF	Croatian Armed Forces	GAFOR	General Aviation Forecast
CANSO	Civil Aviation Navigation Services Organization	GAT	General Air Traffic
CAPEX	Capital Expenditure	HRK	Croatian Kuna
CCL	Croatia Control Ltd.	HVAC	Heating, Ventilation, and Air Conditioning
CER	Enlarged Committee for Route Charges	IATA	International Air Transport Association



IESBA	International Ethics Standards Board for Accountants	RI	Runway Incursion
IFRS	International Financial Reporting Standards	RP3	Third Reference Period, 2020-2024
IFR	Instrument Flight Rules	SATM	Specific ATM
INO	International NOTAM operations	SDD	Static and Dynamic Data
ISA	International Standards on Auditing	SDO	Static Data Operations
ISO	International Organization for Standardization	SeCMS	Security Management System
JC	Just Culture	SECSI	South East Common Sky Initiative
KEA	Key Environment Area	SES	Single European Sky
KPA	Key Performance Area	SESAR	Single European Sky ATM Research
KPI	Key Performance Indicator	SIGMET	Significant Meteorological Information
LDZA	Aerodrome Zagreb	SMI	Separation Minima Infringement
LDZL	Aerodrome Lučko	SMS	Safety Management System
LLF	Low Level Flight	STDI	Synthetic Training Device Instructor
Ltd.	Limited	SUP	Supplement
MET	Aeronautical Meteorological Services	TCL	Terminal Control
MIL AA	Military Approved Agency	TMA	Terminal Maneuvering Area
MoD	Ministry of Defense	TO	Training Organization
MSSR	Monopulse Secondary Surveillance Radar	TOKAI	Toolkit for ATM Occurrence Investigation
MTCD	Medium Term Conflict Detection	TWR	Tower Control Unit (Aerodrome Control Tower)
NDB	Non-Directional Beacon	UAS	Unmanned Aerial Systems
NET	Network	VFR	Visual Flight Rules
NM	Network Manager	VHF/UHF	Very/Ultra High Frequency
NOTAM	Notice to Airmen		
OJTI	On-the-Job Training Instructor		
OPEX	Operating Expense		
PAMS	Published Aeronautical information publication Management Service		
PBN	Performance Based Navigation		
PIB	Pre-flight Information Bulletins		
PP	Performance Plan		
PRB	Performance Review Body		
PRU	Performance Review Unit		
PSR	Primary Surveillance Radar		
QMS	Quality Management System		

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Rudolfa Fizira 2

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Editor

Marina Halužan

Translator

Nataša Briški

Graphic design

Ivica Drusany

Photographs

Alan Grubelić

Ivica Drusany

Eugen Miljan

Damir Đuranac

Dalibor Ban

Mario Marin

Freepik

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CROATIA CONTROL AIR NAVIGATION SERVICES, LIMITED
RUDOLFA FIZIRA 2
HR-10410 VELIKA GORICA, CROATIA, P.O.B. 103
T: +385 1 6259 400
F: +385 1 6228 101
E: DG.OFFICE@CROCONTROL.HR
WWW.CROCONTROL.HR