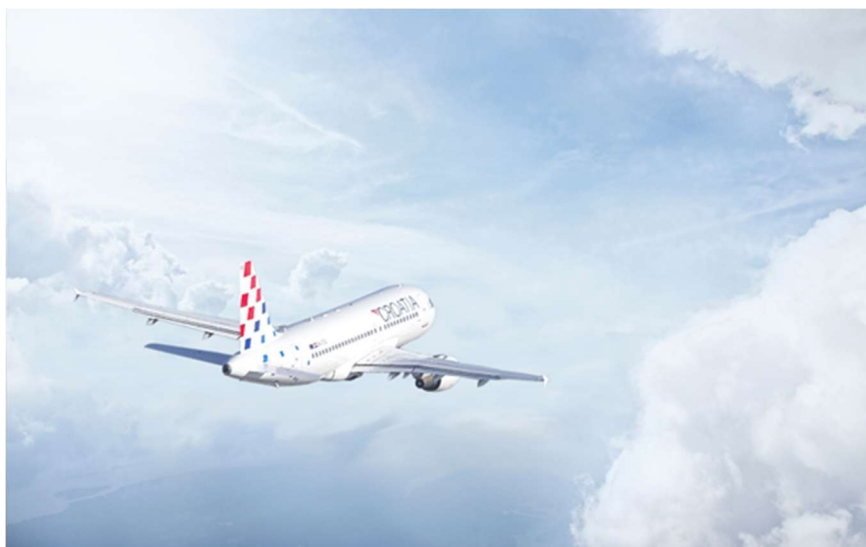


Croatia Airlines Consolidated and Separate Annual Report for 2024



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

April 2025



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Based on the Capital Market Act (NN 65/18, 17/20, 83/21, 151/22, 85/24), we hereby give the following:

DECLARATION

That the individual and consolidated Financial Statements of the issuer Croatia Airlines d.d. for the year ending 31st December 2024 have been prepared by using the appropriate financial reporting standards, and provide complete and truthful presentation of assets and liabilities, losses and gains, the financial position and operations of the issuer and the companies involved in the consolidation as a whole.

That The Management's Business Report for 2024 contains a true view of development and results of operations and position of the issuer and the companies included in consolidation, with a description of the most important risks and uncertainties that the issuer and the society as a whole are exposed to.

This statement is given as an enclosure to the Annual Report of the issuer Croatia Airlines d.d.

The person responsible for the preparation of the issuer statements:

President & CEO



Jasmin Bajić

Zagreb, 30 April 2025

Pursuant to Article 272 (p) and in relation to Article 250 (a), paragraph 4 of the Companies Act (Official Gazette 136/24, hereinafter: the CA), the Management Board of CROATIA AIRLINES d.d. (hereinafter: the Company), represented by Jasmin Bajić, Chairman of the Management Board, makes the following

REPRESENTATION

on the Application of the Corporate Governance Code

Being a joint-stock company with shares listed on the regulated market of the Zagreb Stock Exchange, Croatia Airlines applies the Corporate Governance Code (hereinafter: the Code). Drawn up jointly by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange, it is available at the Zagreb Stock Exchange official website www.zse.hr.

As it is majority-owned by the Republic of Croatia, the Company is also required to comply with the provisions of the Corporate Governance Code of the companies in which the Republic of Croatia holds shares or stakes, adopted by the Croatian Government and published in the Official Gazette 132/17.

The Company has submitted to the Croatian Financial Services Supervisory Agency a detailed description of minor deviations from certain recommendations in the form of answers to the Corporate Governance Code Annual Questionnaire.

The Company submits the answers to the compliance questionnaire and the one about the corporate governance practices to the Croatian Financial Services Supervisory Agency. The answers to the latter are made available on the Company's website.

The Company's internal control system is based on the internal organisation and business procedures that define control points, thus ensuring the accuracy and integrity flow of specific data related to financial, business and regulatory obligations that may pose significant risks to the Company.

A risk assessment of financial reporting is carried out through analyses and management of internal and external risks during the preparation of realistic and objective financial statements in line with the Company's accounting policies.

The Management Board has, with prior approval of the Supervisory Board, adopted a policy about the type and scope of risks that the Company is required and willing to take in order to achieve all of the strategic long-term goals (the extent of risk-taking).

With the existing system of internal controls the Company's management seeks to minimise and exclude the possibility of mistakes and fraudulent behaviour in the business operations.

Corporate Governance Structure

The Company's corporate governance structure is based on a two-tier board system, i.e. the Company's Management Board and Supervisory Board. Together with the General Assembly, they represent three fundamental bodies of the Company.

The Management Board of Croatia Airlines d.d.

The Company's Management Board is represented by the Company's Director Jasmin Bajić as its sole member.

The Supervisory Board appoints the Management Board for a five-year term of office and dismisses it as required. The Management Board manages the Company's operations in accordance with the Company's Articles of Association and relevant regulations.

The Management Board has made sure that the Company's business records and other business documents comply with the Companies Act, kept bookkeeping records, assessed assets and liabilities in a realistic manner, and prepared financial statements and other reports in line with accounting regulations and standards, and other applicable regulations.

The Supervisory Board

In 2024 the Supervisory Board consists of:

Zlatko Mateša,

- chairman of the Supervisory Board

Janko Mišić,

- deputy Chairman of the Supervisory Board

Zoran Barac,

- member of the Supervisory Board

Mirko Tatalović,

- member of the Supervisory Board

In 2024, the Supervisory Board held five regular sessions attended by all of its members. The Supervisory Board carried out an internal control in line with the requirements set out in the Code by controlling the submitted reports on a regular basis. The Supervisory Board members discussed and decided on any and all relevant matters set forth by the Companies Act and the Company's Articles of Association. The Supervisory Board self-assessed the efficiency and composition of its members, as well as those of the Audit Committee. It was carried out by the Chairman of the Supervisory Board together with its members, without the participation of any external associates. The results show that its members function well together and possess the necessary expert knowledge; the same applies to the individual contribution of each member. The Supervisory Board's report on the supervision of business operations makes part of the Annual Report that the Company submits to the General Assembly.

An appointment or incentives committee was not established since the provisions of the Articles of Association set out that the Company's Supervisory Board consists of five members and carries out tasks within their sphere of competence.

In 2024, the Audit Board members were Chairman Zoran Barac, Mirko Tatalović member and Rudi Grubišić, external member. The Audit Board held four themed sessions and discussed the Company's financial performance, audit plan, internal control system, risk management and other tasks for which the Supervisory Board needed assistance in order to efficiently fulfil obligations related to the Company's corporate governance, financial reporting and control. All three Audit Board members attended all of the sessions.

As for future appointments, the Supervisory Board set a target of at least 25% representation of female members on the Supervisory Board and the Management Board to be achieved in the next five years. This will be taken into account when announcing the next call for applications to serve as a member of the Supervisory Board or the Management Board.

General Assembly

The Company's General Assembly is made up of shareholders. One share gives them the right to one vote at the General Assembly. The voting right is not limited by the Articles of Association to a certain percentage or number of votes, and there are no time limits for exercising the right to vote.

In 2024, four General meetings of Shareholders of the Company were held. The Company did not acquire its own shares during that period.

SHAREHOLDER STRUCTURE 31 December 2024:

Top 10 Shareholders	No. of shares	Capital (EUR)	Portion in the share capital (in %)
REPUBLIC OF CROATIA	91,610,821	91,610,821	99.1588
AIRPORT ZAGREB D.O.O.	477,121	477,121	0.5164
HPB FOR THE REPUBLIC OF CROATIA	173,768	173,768	0.1881
JANAF D.D.	22,000	22,000	0.0238
CROATIA LOTTERY D.O.O.	4,000	4,000	0.0043
PRAGUSA ONE LTD	3,682	3,682	0.0040
HP D.D.	2,750	2,750	0.0030
TANKERKOMERC D.D.	2,090	2,090	0.0023
OTHERS	91,721	91,721	0.0993
TOTAL	92,387,953	92,387,953	100.0000

Pursuant to the provisions of Article 272 (p) of the Companies Act, this Representation Letter is attached to the Management's Business Report for 2024 as an integral part thereof.

Zagreb, 27 January 2025

Jasmin Bajić



President and CEO

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The Management's Business Report
and Sustainability Report for 2024



CROATIA AIRLINES

A STAR ALLIANCE MEMBER 

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Typical indicators

Traffic indicators

Description		2024	2023	Index 24/23
Flights (km)	<i>DIST 000</i>	17,070	16,728	102
Departures	<i>FLTS</i>	26,438	25,977	102
Block hours	<i>BH hours</i>	37,011	36,213	102
Passengers carried	<i>RPAX 000</i>	1,839	1,734	106
Freight & mail carried	<i>CGO t</i>	1,409	1,523	93
Passenger km flown	<i>RPK mil.</i>	1,375	1,300	106
Available seat - km	<i>ASK mil.</i>	2,113	1,991	106
Passenger load factor	<i>PLF %</i>	65.1	65.3	100
Tonne km flown	<i>RTK mil.</i>	139	131	106
Available tonne-km	<i>ATK mil.</i>	220	209	105
Weight load factor	<i>WLF %</i>	63.1	62.9	100

The fleet

Type of aircraft	Number at the end of 2024	Seats	Ø age (years)	Number at the end of 2023
Airbus 220-300	2	298	0.27	-
Airbus A320	2	348	22.66	2
Airbus A319	4	576	22.74	4
Q-400	6	456	15.60	6
TOTAL	14	1,678	16.46	12

Financial indicators

Indicators		2024	2023	Index 24/23
Operating revenue	<i>mln EUR</i>	255	252	101
Total Revenue	<i>mln EUR</i>	267	262	102
Operating expenses	<i>mln EUR</i>	271	248	109
Total expenses	<i>mln EUR</i>	286	260	110
Operating profit/loss	<i>mln EUR</i>	-16	4	-
Net profit/loss	<i>mln EUR</i>	-20	2	-
EBIT	<i>mln EUR</i>	-15	5	-
EBITDA	<i>mln EUR</i>	7	24	30
EBIT margin	%	-5.7	2.1	-
Efficiency ratio		0.9	1.0	92
Current ratio		1.2	1.7	69
Debt ratio		0.99	0.95	104
Investment ratio		156.4	12.2	1,285
Total asset ratio		0.9	1.1	84
ROA	%	-7.17	0.99	-
ROE	%	-1350.4	15.6	-
Unit operating cost	<i>EUR/ATK</i>	1.2	1.2	104
Unit operating revenue	<i>EUR/ATK</i>	1.2	1.2	96
Passenger yield (passenger revenue cent/ RPK)		16.0	16.1	100

Productivity indicators

Productivity Indicators	2024	2023	Index 24/23
Employees (tkm/employee)	144,686	142,524	102
Aircraft (BH/day)	9	9	102
Fuel (tkm/tonne)	2,925	2,289	128

Business environment and operational risks

Global economy

The economic situation is a key factor in the development of air traffic. Therefore, from the perspective of the airline industry, economic growth forecasts serve as the basic assumptions for business and development plans. Global economic growth remained stable in 2024, as expected by the International Monetary Fund (IMF). Global inflation eased, with goods prices stable but services inflation high. Long-term growth prospects remain weak amidst persistent economic disparities and structural impediments to productivity, such as: political uncertainties, financial market volatility, potential commodity price shocks, and high government debt. Multilateral cooperation is crucial to address the challenges of green transition, facilitate debt restructuring and reduce economic fragmentation.

The International Monetary Fund's projections for global economic growth in 2024, published in January 2025, were unchanged from October. The global economy rose by 3.2%¹ in 2024 (+3.3% in 2023). Global inflation is expected to fall to 5.8% in 2024.

The IMF puts the U.S. economy growth at 2.8% in 2024, and that of China at 4.8%. Growth for the eurozone is estimated at 0.8% only.

Croatia's economy

Croatia's economy grew in 2024, and is expected to remain relatively strong over the next two years, although at a somewhat lower level. The economic expansion that characterised the first half of 2024 continued in the third quarter, with robust growth likely to continue towards the end of the year, and the Croatian Bureau of Statistics estimates that the country's real GDP could grow by 3.8% year-on-year in 2024². Accelerating economic growth reflects strong domestic demand, supported by favourable labour market developments, highly stimulating fiscal policy and strong private sector investment. Goods imports are also on the rise, while services imports have started to decline.

Inflation has been steadily declining, and the inflation rate in Croatia averaged 3% in 2024. According to calendar-adjusted data, Croatia's industrial production decreased by 2.4% in 2024 compared to 2023.³ Real retail trade increased by 7.3% in the period from January to December 2024 compared to the same period of 2023.⁴ Consumer price inflation gradually accelerated in 2024.

According to the Croatian Bureau of Statistics, the number of persons in employment rose by 1.9% in the twelve months of 2024 compared to the same period of 2023, and Croatia's registered unemployment rate was 5.1% in December 2024 (6.5% in December 2023).⁵

¹ IMF World Economic Outlook Update, January 17, 2025, World Economic Outlook

² www.dzs.hr/ Release: First estimate of quarterly gross domestic product for the fourth quarter of 2024, 13 March 2025

³ www.dzs.hr/ Release: Industrial production volume index and indices of stocks, persons employed and labour productivity in industry, in December 2024, 10 February 2025

⁴ www.dzs.hr/ Release: Retail trade in December 2024, 10 February 2025

⁵ www.dzs.hr/ Release: Persons in paid employment, by activities, in December 2024, 10 February 2025

Revenues from tourism account for an exceptionally high share of Croatia's GDP, and the 2024 tourist season showed that the current geopolitical circumstances did not affect tourist flows, with Croatia being recognised as one of the most sought-after destinations in Europe.

Tourism figures show that 20.2 million tourist arrivals and 93.7 million overnight stays were recorded in 2024, an increase of 3.9% in arrivals and 1.4% in overnight stays compared to 2023.⁶ In 2024, there were 8.7% more domestic tourist arrivals and 3.1% more foreign tourist arrivals. In terms of overnight stays, local tourists accounted for 7.5% of the growth and foreign tourists for 0.8%. As for the overall structure of tourist arrivals, 85.8% were foreign tourists and 14.2% local, and in terms of overnight stays, the ratio was 91% to 9% in favour of foreign guests. Most tourists came from Germany, Slovenia, Austria, Poland, the Czech Republic, the United Kingdom, Italy, Bosnia and Herzegovina, Serbia, the U.S. and Hungary.

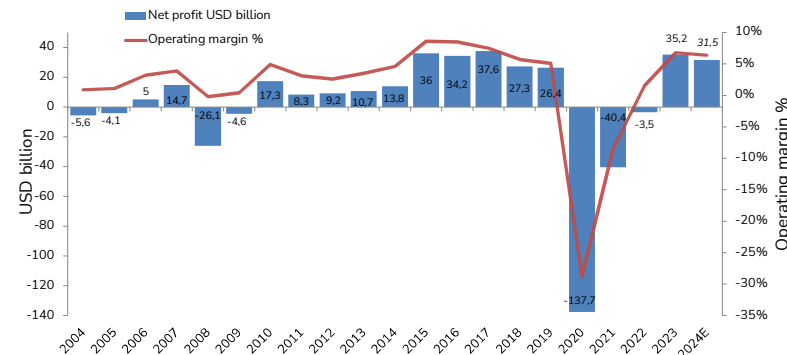
Global airline market

In 2024, the global airline industry experienced strong passenger growth and record figures, but also faced challenges in terms of profitability and rising operating costs.

According to estimates by the International Air Transport Association (IATA)⁷, the number of passengers carried reached a record 4.9 billion in 2024, surpassing the 2019 figures. However, despite the record traffic performance, the airline industry recorded a significant decline in profitability. Its net profit for 2024 has been put at \$31.5 billion, or 10.5% less than the \$35.2 billion generated in 2023, despite the significant drop in the average price of jet fuel, which, together with a

6.4% increase in the number of flights, reduced the industry's total jet fuel costs by about \$8 billion.

Profitability of global airline companies



Source: IATA, December 2024

Operating costs, excluding jet fuel, rose by 11.2% in 2024, significantly more than block time and revenues. Combined with the volatility of jet fuel prices, this points to a growing risk of increases in other operating costs, especially when it comes to monopoly suppliers. The profit margin of 3.3% in 2024 is still very low; it was 3.9% in 2023.

In 2024, the airline industry continued to face challenges such as supply chain issues, which caused difficulties in the supply of spare parts, increased the time required for regular and extraordinary aircraft maintenance, and caused delays in the delivery of new aircraft.

⁶ www.dzs.hr/ Release: Tourist arrivals and overnight stays in 2024, 28 February 2025

⁷ IATA – Global Outlook for Air Transport – December 2024

European airline market

IATA expects European carriers to generate a net profit of \$10 billion in 2024, which is less than in 2023, when it totalled \$11.3 billion, with net profit per passenger being \$8.2, down from \$9.9 in 2023.

IATA emphasises the need for reforms to improve the competitiveness of the European aviation. Increasing regulatory requirements, inefficient air traffic management and high taxes have been identified as key challenges. Implementation of the Single European Sky initiative is seen as a priority when it comes to reducing emissions and increasing operational efficiency.

Croatian airline market

Croatia's airline market is characterised by the pronounced seasonality of demand, with a high level of competition in the summer months. More than 80 airlines operate in Croatia, offering scheduled and charter flights to numerous European destinations. Both low-cost and network carriers continue to expand the number of routes and increase frequencies on existing routes, especially to coastal airports such as Zadar, Split and Dubrovnik. Increasing competition strongly affects ticket prices and reduces Croatia Airlines' market share. The number of airlines operating in Croatia drops significantly in the winter months, to less than 15, with a tendency to resume the flight season in March. In 2024, competitors on the Croatian market increased block time by about 15% compared to 2023, most of it during the summer season.

Croatia Airlines operates throughout the year, offering air traffic services to Croatian citizens and enabling local airports to be open year-round, which points to its significant influence on operations of other entities within the air traffic system, and synergy effects on the

entire economy, especially tourism. It should also be noted that Croatia Airlines, as the national flag carrier, grants airline connection both within the country and with the rest of the world during the winter, when the demand is low.

According to the data of the Croatian Bureau of Statistics, in 2024 Croatian airports recorded 13.01 million passengers, which is 16% more compared to 2023⁸. With 138,592 aircraft operations in 2024, local airports topped the 2023 result by 12%. Cargo transport saw a 19% growth, with a total of 10,980 tonnes of cargo being transported.

Croatia Airlines

Croatia Airlines marked its 35th anniversary in 2024. As the national flag carrier, it has made a significant contribution to the development of air transport on the Croatian airline market. Since its establishment, it has been expanding its network of flights and improving its services, thus playing a key role in connecting Croatia with other parts of Europe and the world. The renewal of the fleet marks a new era for the Company. This will be accentuated by a redesigned visual identity, through which Croatia Airlines will continue to communicate its values with an even stronger focus on passengers and the target audience, following passenger trends and behaviour.

In 2024, the Company intensified activities related to the introduction of the first two new Airbus A220 aircraft into the fleet, in line with Croatia Airlines' Post-COVID Strategy. The first Airbus A220 joined the fleet on 30 July 2024, and another one on 20 December 2024, marking the start of the fleet renewal with new state-of-the-art aircraft. The period of operational transition to the new fleet started in

⁸ www.dzs.hr/ Release: Traffic at airports in December 2024, 10 February 2025

2024, implying increased cost exposure across the Company's operating segments until the end of the fleet replacement process.

In 2024, Croatia Airlines continued to increase frequencies and reintroduce individual routes, in line with the Strategy. Its aircraft operated a total of 26,438 flights, or 2% more than in 2023, with the block time of 37,011 block hours also topping the preceding year by 2%. A total of 1,838,609 passengers were carried, or 6% more than in 2023. The realised passenger kilometres rose by 6%, and the passenger load factor (PLF) was 65.1%. The number of passengers transported in both domestic and international scheduled traffic rose by 7% compared to 2023.

Operational risks

Under normal operating circumstances, airlines are faced with a wide range of strategic, operational and financial risks, whose specificities are related to the characteristics of individual markets, depending on the economic development level, features of demand (seasonality, tourism, etc.), current and future level of competition, and the size and financial strength of individual carriers.

Within the implementation of the risk management process, major risks have been recognised according to their potential influence on Croatia Airlines' business operations, and the monitoring of these risks should help mitigate potential negative consequences and turn risks into opportunities whenever possible. The biggest external risks affecting Croatia Airlines' business operations are: economic surroundings (Croatia and destinations), competition, Star Alliance and partnerships, risks related to price changes (traffic charges and flight permits, suppliers, fuel, emission allowances), currency fluctuations and interest rates, with climate risks having an increasing impact. The biggest internal risks include human resources, capacity management, operational disturbances, sales, revenue management, and liquidity risk, especially in the winter months.

The business operations of air carriers in 2024 were exposed to a number of major risks, making it more difficult to balance different factors and respond to individual risks. The main risks that affected Croatia Airlines' business operations in 2024 were as follows: delayed delivery of new aircraft, ageing fleet, fuel price, emission allowance price, and inflation.

Delayed delivery of new A220 aircraft by the supplier

In the period of replacing the current fleet with new A220 aircraft, Croatia Airlines has identified the delayed delivery of new aircraft as the main risk with operational, financial and strategic consequences, both in 2024 and in the coming transition years. Supply chain disruptions, rigorous testing and certification processes, persistent labour shortage in production facilities and increasing demand for new aircraft have a significant impact on aircraft delivery times.

The manufacturer repeatedly postponed the delivery of new Airbus A220 aircraft to Croatia Airlines, and in early 2025 announced that the deadlines would be pushed further. Such uncertainty makes it more difficult to plan operational activities and leads to significant cost exposure.

Ageing fleet

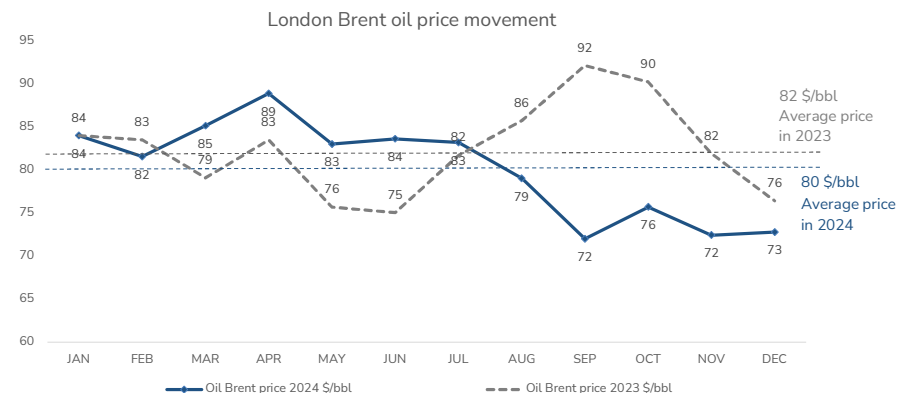
The ageing fleet requires an increase in the scope of planned work on aircraft due to their condition, which cannot be fully predicted in advance. At the same time, the existing problems with the supply of spare parts cause significant delays in the execution of such work, with additional operational and financial consequences.

Fuel

The average Brent oil price in 2024 was 80 \$/bbl, 3 \$/bbl lower than in 2023.

On 19 April 2024, Croatia Airlines fuelled SAF (Sustainable Aviation Fuels) for the first time ever in the Republic of Croatia, based on a pilot project with the oil company INA as its strategic partner. According to the EU ETS rules, SAF will be part of the reporting requirements for 2024, with the benefit of reduced emissions.

In 2024, a mandatory percentage of SAF is applied in the Scandinavian countries and France, which means that Croatia Airlines is fuelling the prescribed blend at the airports in these countries.



Under EU regulations, from 2025 airlines have to apply a mandatory 2% SAF at airports with more than 800,000 passengers. However, the EU regulations did not take into account that the SAF distribution is not harmonised with the distribution of consumption, so that the transport and logistics requirements for SAF could lead to higher CO₂ emissions, thus negating their reduction on the very flights.

In the final quarter of 2024, Croatia Airlines made operational preparations to comply with the new European Union regulation, which came into force on 1 January 2025, requiring aircraft operators with more than 500 flights a year departing from EU airports to stop carrying extra fuel, despite differences in jet fuel prices between airports. The ReFuelEU regulation implies a significant increase in fuel costs for European aircraft operators, both due to the price of SAF and the changes in fuel carriage policy in the already overregulated European market.

Despite the escalation of conflicts in the Middle East, the price of oil remained at an acceptable level in 2024. With the election of a new U.S. president, the focus on fossil energy sources by a part of the world, including the U.S., will drive up oil prices and, assuming that major geopolitical turmoil is avoided, they are expected to reach levels of up to 80 \$/barrel in period ahead.

Emission allowance price

In the summer of 2021, the European Commission presented the Fit for 55 package of proposals aimed at achieving emissions neutrality, i.e. reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. The same goes for the air traffic. The implementation of the Fit for 55 package through ReFuelEU represents a new challenge for European airlines, since starting from 1 January 2026 they will no longer be entitled to free emission allowances.

Croatia Airlines continues with relevant preparations and adjustments related to supply and introduction of novelties in cooperation with all market stakeholders, being aware of the fact that emission allowances in both the primary and secondary markets are exceptionally prone to volatility. It expects a gradual reduction of free emission allowances in 2024 and 2025, which will affect the growth of related costs in these years, with the risk of their prices rising being already present. The emission allowance prices ranged from EUR 53 to EUR 75 per allowance in 2024. Despite the fact that the European Commission postponed the deadline for surrendering emission allowances for 2024 to September 2025, Croatia Airlines secured 50% of the required allowances for 2024 this year due to a favourable trend, and will determine the remaining part after the verification in February 2025.

Labour shortage in the aviation industry

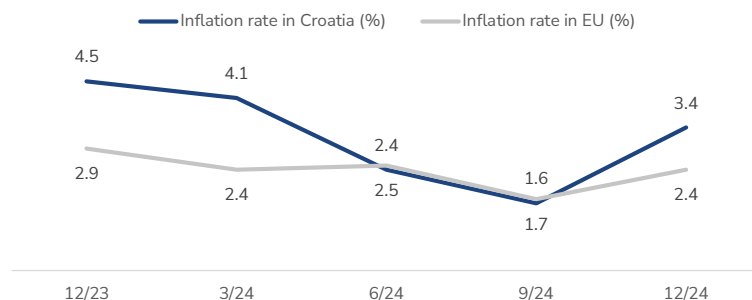
With a traffic scope increase, labour shortage in air transport during the pre-season and the main summer season was one of the biggest short-term risks in 2024. This was mainly due to the lack of airport staff (check-in, baggage loading and unloading, general passenger and aircraft handling), and the usual problems with air traffic control, which culminate in the summer season, making it difficult for aircraft to take off and land according to schedule during the summer months.

Croatia Airlines had secured enough flight, cabin and other certified personnel for the 2024 summer season, but potential problems at major European airports due to labour shortages posed a risk to the Company and caused traffic disruptions.

Inflation risk

Although the inflation rate in the European Union dropped from the initial 2.9% in December 2023 to 2.4% in December 2024, an increase in the final quarter compared to the third is worrying. Croatia's inflation rate follows the European Union trends, but at a slightly higher level, falling from 4.5% in December 2023 to 3.4% in December 2024, which is 1 pp higher than the average EU inflation.

Inflation rate in Croatia and EU (%)

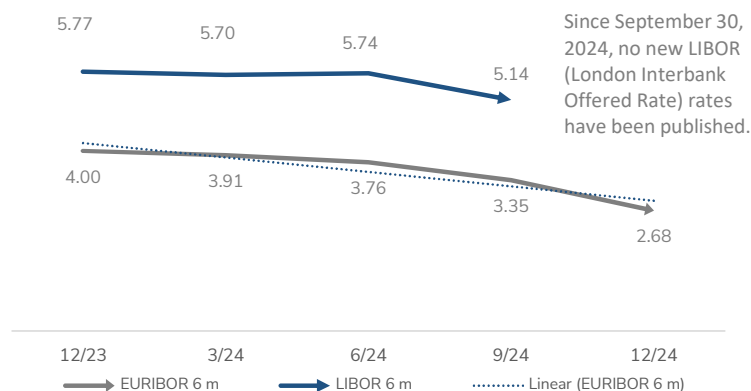


With inflation picking up again after the third quarter, there is a great deal of uncertainty as to how prices of goods and services will develop in the future and their impact on the Company's costs.

Interest rate risk

After a significant rise in 2023, Euribor dropped again in the fourth

Interest rate flow (quarterly)



quarter of 2024.

This decline is mainly due to the ECB's interest rate cuts, lower inflationary pressures and economic developments in the eurozone. Libor recorded a similar trend compared to 2023, but this rate has been gradually phased out since 2017 and replaced by other reference rates based on transactions.

Liquidity risk

Maintaining a stable liquidity level is one of the most significant internal risks affecting Croatia Airlines' operations. Fuel and EOS emission price movements always have a great impact on liquidity and generate significant costs for the airline industry. Demand for air traffic services continues to grow, which has a positive impact on inflows, but the transition period of fleet replacement has a significant impact on outflows. Croatia Airlines actively applies various internal forms of business rationalisation and supervision, optimises its flight schedule and adapts its fleet to the demand and booking trends in order to adapt to the current market conditions. In addition to regularly monitoring its due liabilities, the Company makes cash flow projections for the period of one year to identify on time potential operational risks and risks related to liability settlement.

Implications of global conflicts

Russia's invasion of Ukraine has brought about a series of far-reaching implications on the global market. When it comes to its effect on the airline industry, we should particularly note rising fuel prices and interest rates, inflation, etc. Croatia Airlines has never operated scheduled flights to Ukraine and Belarus, while until the outbreak of the coronavirus pandemic it operated only seasonal summer flights to Russia, between Zagreb and Saint Petersburg. The route was cancelled in 2020 due to a drop in demand and difficult border crossing conditions from both the Croatian and Russian sides,

and has not been reintroduced. Croatia Airlines had no established network of sales agents and representatives on the Ukrainian and Belarus markets, and the sale of Croatia Airlines tickets on the Russian market was suspended through the national billing and settlement plan by revoking the license to issue tickets to all agents due to uncertain payment. It also cooperated with the Global Russia marketing agent on the Russian market. On 30 September 2024, the above-mentioned agent owed the Company EUR 18,000. As Croatia Airlines has no real property in Russia, Ukraine or Belarus, there are no potential losses or additional costs in this respect resulting from mutual sanctions between the EU and Russia.

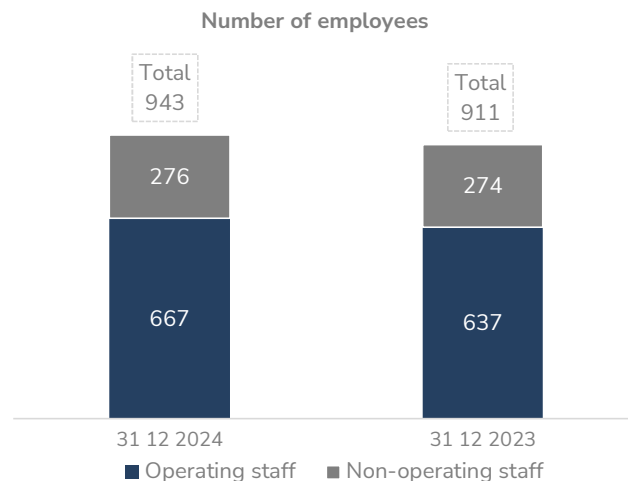
The general uncertainty in the Middle East, and particularly the conflict in Israel, have led to a reduction in the expected demand for air traffic services in these markets. As far as Croatia Airlines' scheduled passenger traffic is concerned, the impact is relatively small, as these are relatively weak markets, but demand has been recovering despite the security challenges. Results in the Israeli market have reached the level of about half of the flights operated before the coronavirus crisis. On the other hand, charter flights have been much more affected, and this market is particularly important as it enables night utilisation of aircraft that would otherwise be left parked. Flights to Israel were suspended at the end of the 2023 summer season, while flights to Lebanon have not been resumed since they were suspended in 2020. In May 2024, Croatia Airlines started weekly flights to Tel Aviv, which continued until the end of July. Following the escalation of hostilities and the deterioration of the security situation, there have been no flights since August and all scheduled flights have been cancelled. All flights scheduled for Beirut in August and September 2024 were also cancelled. In 2024, only twenty flights were operated to Tel Aviv, using A320s and A319s, all from Zagreb.

In the period from 7 August to 24 October, a total of 45 aircraft rotations to Tel Aviv from Zagreb and Dubrovnik were cancelled, with an unrealised revenue of about EUR 1.5 million.



S. Lugařov

Human resources and investments



On 31 December 2024, the Company had 943 employees, including the locally employed staff at its branch offices, i.e. 32 employees more than on 31 December 2023.

Compared to 31 December 2023, the operational staff accounted for 30 employees more, and the non-operational staff welcomed two new employees.

Due to the introduction of a new aircraft type – Airbus A220 – into the fleet, at the end of 2024 Croatia Airlines had 17 more pilots, 10 more cabin staff members and three more technical aircraft maintenance employees compared to the end of 2023.

Additional non-operational staff were recruited to replace employees on parental leave or long-term sick leave.

At the end of 2024, Croatia Airlines had 24 posted workers, filling the position of assistant mechanics in the technical sector.

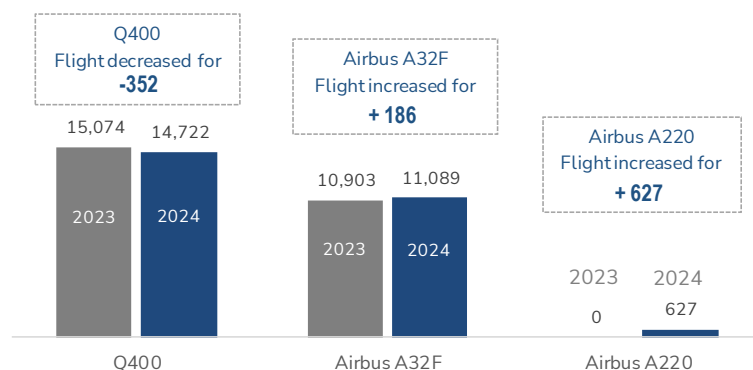
Investments in education totalled EUR 1.8 million in 2024 and referred to the training of operational staff (pilots, cabin crew and aircraft maintenance staff) necessary for the Company's operations. In this period, flight crews and other operational staff (aeromechanics, engineers and operations centre employees) received initial training for the new aircraft type – Airbus A220. Further training of pilots and mechanics for the new aircraft type is underway, in preparation for the introduction of new A220s in the coming period.

The fleet

On 31 December 2024, Croatia Airlines operated a fleet of 14 aircraft: seven Airbus (two A320s and four A319s), six Q400s and two new Airbus A220s, all on long-term lease. However, 13 aircraft operated flights in 2024, as the second A220 aircraft joined the fleet in late December 2024.

In the first quarter, the Company wet-leased an A320 aircraft to bridge the late arrival of new aircraft and the extended period of maintenance of its Airbus fleet. The lease was in place until 15 October 2024, covering the planned summer flight schedule. In addition, the Company wet-leased an A319 for the period from 15 April to 15 July 2024 due to the extended fleet maintenance works.

Change of flight structure



The first Airbus A220 joined the fleet on 30 July 2024, and another one on 20 December 2024, marking the start of the fleet renewal with new state-of-the-art aircraft.

In 2024, Croatia Airlines' aircraft operated a total of 26,438 flights, or 2% more than in 2023, with the block time of 37,011 hours also topping the preceding year by 2%. According to the block time structure, the majority of flights in 2024 were operated by the Q400 fleet; however, with the entry of the A220 aircraft into the fleet in 2024, the block time structure will start to change significantly in favour of the new aircraft type.

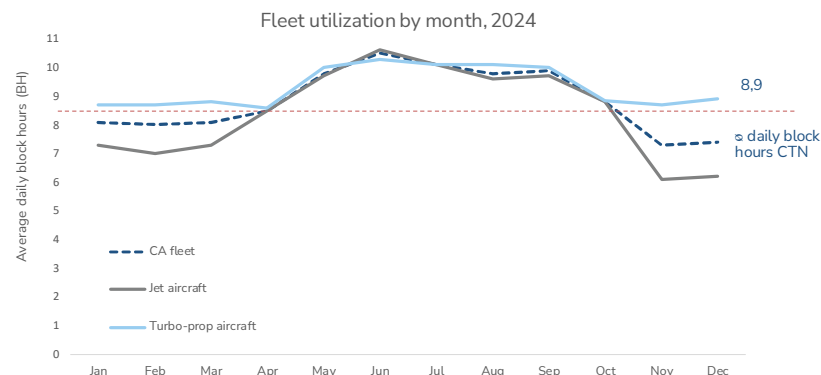
Fleet utilisation*

Type of aircraft	Number of aircraft	Ø daily block hours (BH)	Growth 24-23	Utilisation growth 24/23
Airbus A220	1 (2)	7.10	-	-
Airbus A320	2	8.60	1.30	17.8%
Airbus A319	4	8.70	-0.40	-4.4%
Q-400	6	9.30	0.40	4.5%
TOTAL	13(14)	9.00	0.20	2.3%

* Utilisation is only taken into account in the availability period

In 2024, Croatia Airlines' fleet realised on average 3,275 block hours per aircraft, or 5% more compared to 2023.

The average number of aircraft on the level of 2024 was 11.30. Both available seat-kilometres (ASK) and revenue passenger kilometres (RPK) rose by 6% compared to 2023.



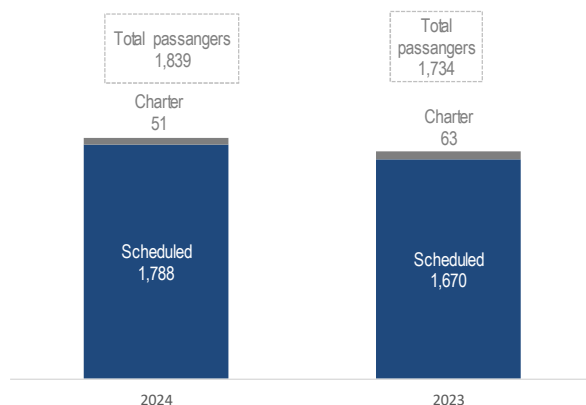
The market

In 2024, Croatia Airlines continued to increase frequencies on individual routes and introduce new routes, which led to an increase in the number of flights and passenger numbers compared to 2023. In 2024, it directly connected Croatia with 27 international destinations, i.e. 28 European airports, and its aircraft operated on 49 international routes.

In 2024, Croatia Airlines cooperated with 17 codeshare partners, ensuring even better connections between Croatia and the rest of the world: 13 Star Alliance members (Lufthansa, Austrian Airlines, Swiss, Turkish Airlines, TAP, SAS, Brussels Airlines, United Airlines, Air Canada, LOT, Singapore Airlines, Air India and Asiana Airlines) and three Sky Team Alliance members (Air France, KLM and Alitalia/ITA Airways). In September 2024, SAS left Star Alliance and the code-share cooperation ended. Croatia Airlines also cooperates with the local carrier Trade Air.

The goal of such cooperation agreements is to make the services of an airline available on the markets on which it does not physically operate flights or to increase the capacities on the existing routes.

Passengers carried (000)



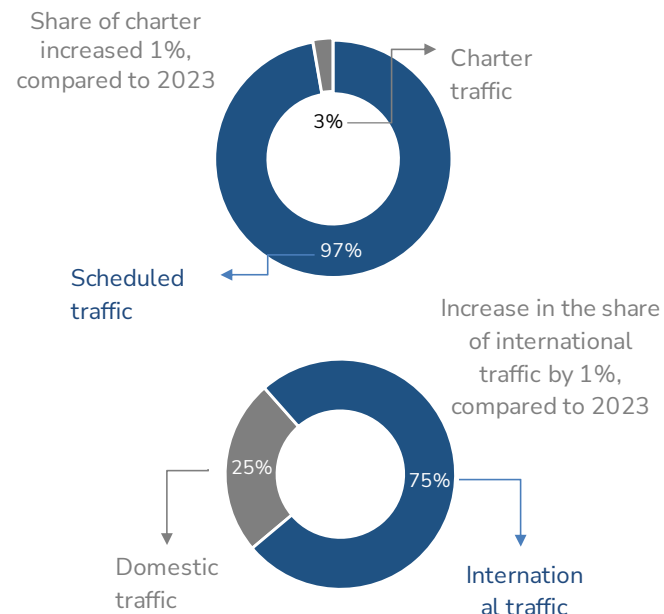
In 2024, a total of 1,838,609 passengers were carried, or 6% more than in 2023. Of this figure, 440,484 were transported in domestic scheduled traffic (+7% compared to 2023), 1,347,448 in international scheduled traffic (also +7% compared to 2023), and 50,677 in charter traffic (-20% compared to 2023), with charter traffic making up only 3% of the total traffic.

The passenger load factor (PLF) of 65.1% was 0.2 pp lower than in 2023, with the weight load factor (WLF) being 63.1%, or 0.2 pp higher.

The number of passengers transported in international scheduled traffic was 7% higher, i.e. 90,000 more passengers were transported compared to 2023. Given a 9% rise in the capacities offered, the passenger load factor (PLF) in international scheduled traffic was 64.6% (-0.4 pp). The number of passengers carried in domestic scheduled traffic rose by 7%, with 28,000 more passengers

compared to 2023. The passenger load factor (PLF) in domestic scheduled traffic was 64.4% (+3.4 pp compared to 2023).

Traffic in 2024



In 2024, the Company transported 1,409 tonnes of cargo, 7% less than in 2023.

Croatia Airlines' marketing activities in 2024 were focused on promoting its summer flight schedule and new international routes,

making preparations for the arrival of the first new A220 aircraft, and offering discounts on the occasion of its 35th anniversary. The year of 2024 marks the 30th anniversary of Croatia magazine, through which the Company promotes Croatia, its attractions and amenities on its flights, often serving as a direct recommendation and guidance for numerous passengers visiting Croatian destinations, but also revealing authentic less known gems – stories and products – to local passengers.

In the presence of numerous guests and media representatives, Croatia Airlines welcomed its first new Airbus A220-300 with a capacity of 149 seats in Zagreb on 30 July 2024, officially marking the beginning of the announced fleet renewal, the Company's largest project ever. The new aircraft operated its first flight on 6 August 2024 on the domestic route Zagreb – Split. This is particularly symbolic as it is the same route on which Croatia Airlines made its first commercial flight on 5 May 1991, introducing scheduled domestic passenger flights in Croatia 33 years ago. Also, to mark its 35th anniversary, the Company's new Airbus A220-300 operated its first international commercial flight on the route Zagreb – Frankfurt on the same day the Company was founded in 1989. The first international passengers on the new A220 flew the same route as Croatia Airlines' first international flight in 1992, when the Company started connecting Croatia with the rest of the world via scheduled passenger flights.

Airbus had selected Croatia Airlines as its partner for the presentation of the Airbus A220 aircraft at the Istanbul Airshow 2024, which took place from 26 to 28 September at Istanbul's Ataturk Airport. It was an opportunity to share with the wider public the experience of using this aircraft in regular operations. The participation in the Istanbul Airshow was an important event in the year in which Croatia Airlines

celebrated its 35th anniversary and its 20th year as a member of Star Alliance.

In 2024, the Technical Sector carried out two 12-year checks, one 6-year check, and five C checks on third party aircraft. Maintenance works are carried out in three hangars, and since 2023 on the platform as well, so that the works stipulated by the Parked Aircraft Maintenance Programme could be performed. The technical staff received training for the Airbus A220 aircraft, and in May 2024 Croatia Airlines was granted expansion of the scope of Approval for work on this aircraft type, thus becoming ready for the introduction of new Airbus A220 aircraft into its fleet and creating the possibility to extend its maintenance services for this type of aircraft to other companies.

Croatia Airlines and Air France Industries KLM Engineering & Maintenance (AFI KLM E&M), one of the world's leading providers of aircraft maintenance, repair and overhaul services, have signed a cooperation agreement to provide comprehensive support for the components of Croatia Airlines' new Airbus A220 fleet. Based on decades of experience in aircraft maintenance, the support that AFI KLM E&M will provide to Croatia Airlines for the maintenance of the Airbus A220 aircraft is based on extensive technical knowledge and proven expertise in handling new generation aircraft. This cooperation will enable Croatia Airlines to take advantage of state-of-the-art repair facilities and innovative aircraft maintenance solutions to ensure optimal availability and reliability of the Airbus A220 aircraft.

Redesign of the Company's visual identity



On 18 June 2024, Croatia Airlines unveiled its newly redesigned logo and visual identity. With the redesigned logotype, as well as the new interior and exterior design of the aircraft, Croatia Airlines builds up on its distinctive identity and further emphasises its core corporate values of quality, safety, reliability, technical excellence/precision, travel comfort and hospitality, while the logomark design is now more similar to the design of the tail of the aircraft for which the Company has become widely recognisable.

The new logomark, aircraft redesign and updated colours reaffirm the importance of Croatian national identity and the role of Croatia Airlines for the country, while the modernised design further enhances the recognition of Croatian national identity. Croatia Airlines is a distinctive brand in both Europe and the rest of the world, actively contributing to the further development of Croatia's tourism, offer and economy.

The historic Croatian flag is the cornerstone of Croatia Airlines' identity. The shapes and colours of the flag are strongly highlighted and transformed to ensure powerful visual consistency, while the coat of arms is transformed into a dynamic element. At the centre of the visual identity of Croatia Airlines are the logomark and logotype. Red, white and blue are the colours of Croatia, so the visual identity clearly connects Croatia Airlines with the country it belongs to. Their clear and uncluttered lines enhance visibility and recognisability, while the tail of the aircraft and the logomark itself share the same design, thus becoming the most distinctive part of the Company's visual identity. The new visual identity communicates even more simply and easily with passengers and the wider public and is often the first reference to Croatia worldwide.

Croatia Airlines will implement the new visual identity step by step in order to ensure sustainability at all stages and minimise costs. In this way, Croatia Airlines' passengers and shareholders will continue to experience both the new and the old visual identity, remembering how it was, how it is now and how it will be in the future.

Financial operations

Profit and loss account

(000 EUR)	2024	2023	Index 24/23
Passenger traffic	220,678	208,782	106
Cargo traffic	1,042	1,063	98
Other revenues	33,452	42,515	79
Operating revenues	255,171	252,360	101
Flight operations	87,318	76,337	114
Maintenance	45,517	42,834	106
Passenger services	17,369	13,996	124
Aircraft and traffic services	56,696	53,292	106
Promotion and sales	27,607	26,744	103
General and administrative expense:	13,419	11,972	112
Amortization	21,916	18,976	115
Other expenses	1,302	4,126	32
Operating expenses	271,144	248,278	109
Profit/loss from operations	-15,973	4,082	-
Interest expense	-4,994	-2,945	170
Interest revenue	2,159	1,463	148
Foreign exchange differences, net	-900	-435	207
Other financial expenses	0	-5	-
Other financial revenues	138	93	148
Net financial expenses	-3,597	-1,830	197
Net profit/loss	-19,571	2,252	-
EBITDA	7,339	24,174	30

In 2024, the Company recorded an operating loss of EUR 16 million. Including the net financial result, the loss was EUR 19.6 million, with a positive EBITDA of EUR 7.3 million.

The fleet replacement investment cycle is characterised by operational and financial challenges in the transition period and the Company expects negative financial results during this period. The following circumstances, most of which were beyond Croatia Airlines' control, also resulted in significant additional cost exposure:

- The delivery deadlines for the two new Airbus A220 aircraft, which were due to be delivered before the start of the 2024 summer season, were pushed several times, each time with longer delays, and the Company had to adjust activities related to their introduction; the first Airbus A220 aircraft operated its first commercial flight on 6 August 2024, and the other one on 27 December 2024;
- The extension of base maintenance works for the Airbus fleet until 9 July 2024, and for the Q400 fleet until 2 July 2024 due to difficulties in the supply of spare parts and the expanded scope of work due to the condition of the aircraft;
- Delivery delays and extended hangar work required short-term wet-leasing of additional, much more expensive aircraft to cover the envisaged flight schedule, keep airport slots and retain passenger loyalty;
- The pilots being trained for the new aircraft type have to be out of flight operations for two months; the first 20 pilots, including five instructors, were inactive even longer due to a series of delivery delays, and the training depends on pre-arranged simulator slots and the availability of Airbus instructors; as the aircraft were late, the pilots had to additionally repeat the simulator part as they could not start

- flying within 21 days of completing simulator training, as prescribed by regulations;
- Late aircraft delivery affected the availability of Airbus instructors, as the flight training dates for the new Airbus A220, which had been scheduled well in advance, had to be postponed, and this affected the training of Croatia Airlines' instructors in a way that the new aircraft could not be deployed as planned;
- Hotel and per diem costs increased significantly as training intensified;
- With a larger number of aircraft expected to arrive in 2025, in 2024 the Company hired more pilots than its operations required;
- A total of eleven full crews were trained for the Q400 fleet and eleven co-pilots were additionally recruited for the A319/320 fleet;
- Due to the training of instructors, the new aircraft could not be fully deployed as planned due to the lack of available crews;
- Costs of the aircraft acceptance teams and other administrative costs for the acceptance and registration of two aircraft;
- Training of two groups of mechanics for the new aircraft type;
- Cost of adapting various operational IT systems to the new aircraft type;
- Cost of spare parts for the new A220 fleet and the first spare engine for the new aircraft;
- Cost of extending the lease of the old Airbus fleet due to delays in the delivery of new aircraft – extended lease of A319 9A-CTL (including cost of life extension works and ESG installation) and of four CFM engines;

- Grounding of aircraft for technical reasons, which would normally take 24 hours (before supply chain and spare parts availability issues), took two to three days in the 2024 summer season, contributing significantly to the increase in traffic disruption costs.

The result was also affected by disruptions, flight delays and cancellations due to the operational fleet transition, which resulted in some passengers having to be rerouted and referred to other airlines, resulting in an unrealised revenue of about EUR 2.8 million.

In addition to these transition costs of the fleet replacement, the additional operational challenges faced by the Company in 2024, with negative financial impacts, were as follows:

- Negative impact of the conflicts in the Middle East on charter flights (Israel and Lebanon), with an unrealised revenue of about EUR 1.5 million;
- Increased traffic volume within the European air traffic network due to geopolitical conflicts led to a shortage of air traffic control capacities in certain areas, in particular along the south-eastern axis including Croatia; in addition to the shortage of labour force in all air traffic segments, this led to delays and reduced efficiency of air traffic, and consequently to an increased number of passenger claims and traffic disruption costs.

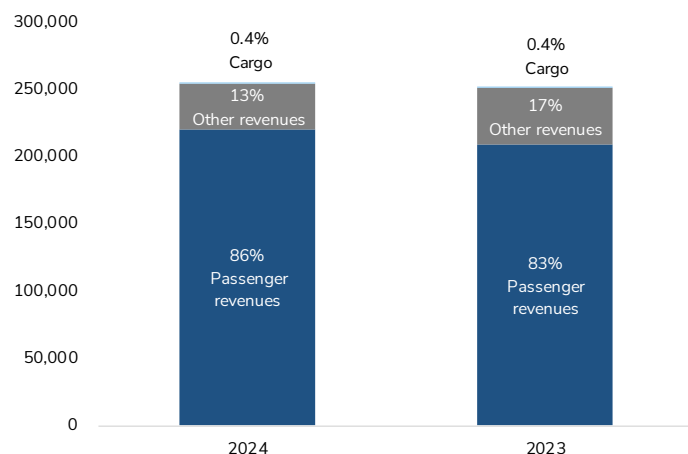
The Company's passenger revenues rose by 6% (EUR +11.9 million) compared to 2023, with 6% more passengers carried, while total operating revenues increased by 1%.

Croatia Airlines transported 1,409 tonnes of cargo in 2024, i.e. 114 tonnes less (-7%) than in 2023. Consequently, cargo revenues declined by 2% compared to 2023.

Other revenues were 21% lower, as the same period of the previous year included one-off items from the sale of the Airbus fleet, and the hangar occupancy caused by the prolonged maintenance works on Croatia Airlines' aircraft reduced the available capacities for maintenance works for third parties, thus reducing the revenues from the technical sector by 33% (EUR 2.3 million) compared to 2023.

In addition to the increase in the overall revenue levels compared to 2023, the revenue structure itself also noticeably changed, i.e. the share of passenger revenues rose, while the share of other revenues decreased. Revenues from cargo transport accounted for less than 1% of total operating revenues.

Structure of operating revenues



Croatia Airlines' operating costs were 9% higher (EUR +22.9 million) compared to 2023, primarily as a result of the aforementioned transition costs, in particular the costs of short-term aircraft lease, traffic disruption costs and aircraft maintenance costs (63% of the

nominal increase in total costs). Inflationary trends, increased block time in flights and block hours (+2%) and an increase in the number of passengers (+6%) also contributed to the higher costs.

Another factor was an increase in the salaries of Croatia Airlines' employees from the 2023 figures. However, it should be noted that a new collective agreement came into effect on 1 July 2024, which will be in force for the next five years, and the transition period will be marked by cooperation with the social partners. All categories of operating costs increased, with the exception of other expenditure.

Flight costs recorded the largest increase (+14%) of all cost categories, mainly due to a short-term aircraft lease and increased salaries of flight personnel. The short-term lease was necessary to bridge the period of delayed delivery of the new Airbus A220 aircraft and the extended season of works on the existing fleet.

Despite one A319 aircraft less in the fleet, aircraft maintenance costs were 6% higher, mainly due to a greater scope of aircraft works, higher maintenance reserves, and increased salaries for technical staff.

Increased block time and unit prices of the services of certain suppliers led to greater costs of air traffic services, i.e. airport and air traffic control services, which rose by 6% compared to 2023.

At the same time, the cost of passenger services recorded a 24% rise, due to higher costs related to traffic disruptions, catering costs related to increased passenger numbers, and higher salaries for cabin and catering staff.

Depreciation costs were 15% higher than in 2023, mostly as a result of higher costs of depreciation of right-of-use assets and spare parts.

The Company's sales and promotion costs were 3% higher than in 2023 due to increased reservation system and salary costs, resulting from an increased passenger numbers and greater employee costs.

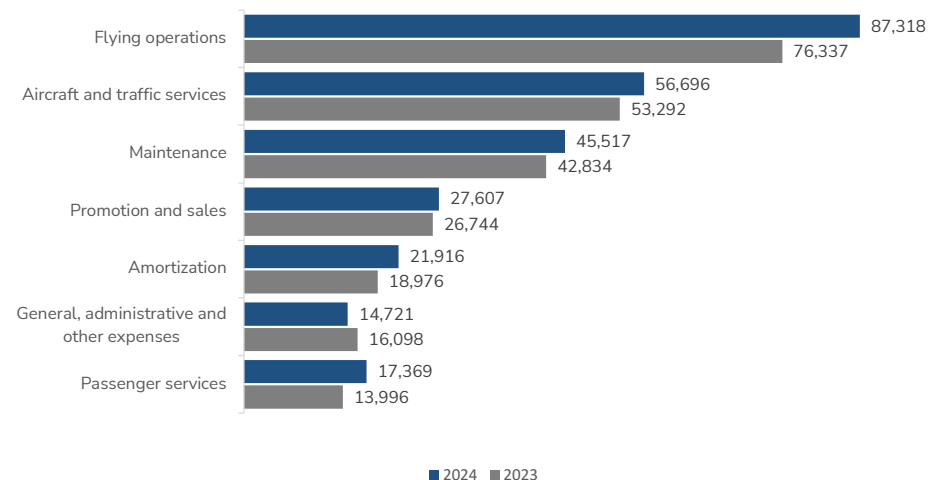
General and administrative costs rose by 12% compared to 2023, as a result of greater IT costs and increased salaries for non-operational staff.

Other expenditure recorded the biggest decline, as 2024 saw lower costs of the preceding period compared to 2023, when the early closing of the financial year of 2022 amidst the introduction of the euro as the official currency and lower costs of capital asset disposal had a major impact on these costs.

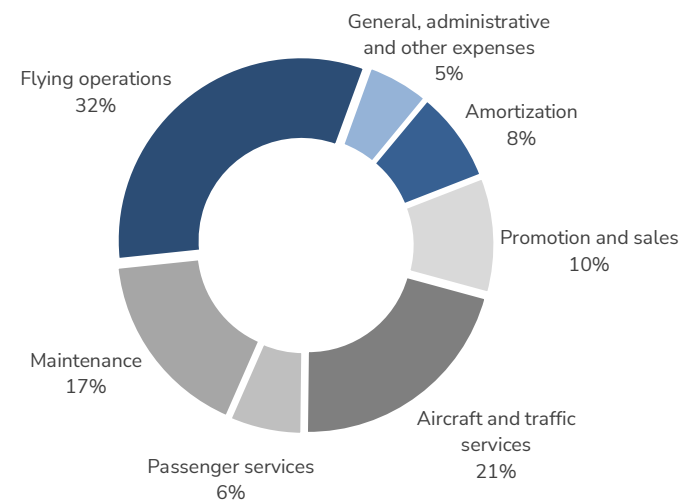
In addition to the increase in the overall cost level compared to 2023, the cost structure also changed marginally: the share of flight costs rose by 1 pp due to ad hoc aircraft leases required to bridge the period of delayed delivery of new aircraft and the extended fleet maintenance season.

On the other hand, the share of general and administrative costs, and promotion and sales costs in total costs declined by 1 pp.

Operating expenses in (000) EUR



Structure of operating expenses in 2024



Assets, financing and investments

Balance sheet

(000 EUR)	End 2024	End 2023	Index 24/23
ASSETS			
Non-current assets	193,157	114,316	169
Current assets	79,702	112,377	71
Total Assets	272,859	226,692	120
LIABILITIES			
Capital and reserves	1,449	14,480	10
Provisions	44,723	39,953	112
Non-current liabilities	150,282	107,509	140
Current liabilities	76,404	64,750	118
Total Liabilities	272,859	226,692	120

At the end of 2024, the value of the Company's assets was 20% higher compared to the end of 2023.

The value of its fixed assets rose by 69% compared to the end of 2023, primarily as a result of the increase in leased assets following the introduction of the two new A220 aircraft into the fleet, and greater maintenance reserve payments intended for the maintenance of leased aircraft. The increase in the value of the Company's fixed assets was also affected by the purchase of a spare engine, spare parts, GSE and tools for the new Airbus A220 aircraft. Furthermore, the Company invested in the development of software solutions, notably in the implementation of a new aircraft maintenance tracking system, and the value of its intangible assets increased by 92%.

At the end of 2024, the value of the Company's current assets was 29% lower compared to the end of 2023. The realised investments

and high transition costs resulted in a 43% lower cash position at the end of 2024 compared to the end of 2023, with financial assets also being at a lower level, as a result of a decrease in the deposits retained on tickets sold. Compared to the end of 2023, accounts receivable rose, as did inventories – due to initial purchase of expendable and spare parts for the new A220 fleet.

The rise in the value of the total assets was followed by a 20% increase in the value of liabilities and capital compared to the end of 2023. The loss generated in 2024 reduced the level of capital and reserves to EUR 1.4 million at the end of the year. Provisions were 12% higher, as a result of increased maintenance reserves for the leased aircraft. The Company's long-term liabilities rose as a result of entering into a lease agreement for the two A220, while its long-term loans and other liabilities remained the same as at the end of 2023. Its short-term liabilities increased by 18%, with the highest increase in liabilities to suppliers due to increased scope of traffic, high transition costs and inflation.

On 31 December 2024, Croatia Airlines' liabilities related to three shareholder loans totalled EUR 78.8 million.

Investments in 2024

Investments	2024	2023
Spare engine for A220	12,225	-
Aircraft and engine maintenance expenditures	14,448	15,071
Investments in spare parts, tools, and equipment	5,347	1,423
Investments in third-party aircraft	4,125	923
Construction investments	147	-
Other intangible assets	950	689
Other equipment	1,400	710
Total	38,642	18,817

In 2024, investments totalled EUR 38.6 million, of which EUR 12.2 million referred to the purchase of a spare engine for the Airbus A220 fleet. A total of EUR 5.3 million was invested in spare parts, tools and equipment, of which EUR 2.8 million was allocated for spare parts for the A220 aircraft type. In 2024, EUR 14.4 million was allocated for future work on aircraft. Maintenance reserve payments are a standard in the airline industry, covering the costs of mandatory periodic major work on aircraft and engines, whether owned or on long-term lease. Investments in third party aircraft totalled EUR 4.1 million and mostly referred to work on CTK and CTL aircraft, and investments in APU on the CQA and CQC aircraft of the Dash fleet, while a 12-year check on the CTN was covered by previously paid maintenance reserves.

Other investments totalled around EUR 2.5 million: around EUR 950,000 for software, around EUR 1.4 million for IT and other equipment, and around EUR 147,000 for infrastructure at the technical base.

In 2024, the Company performed two C checks on Airbus aircraft (CTH and CTO) and six C checks on Q400 aircraft (CQA, CQB, CQC, CQD, CQE and CQF).

The table does not include long-term leases that result in the recognition of right-of-use assets, except for expenses for the maintenance of long-term leased aircraft and engines.

Pursuant to the Taxonomy Regulation (2022/852) and related delegated acts specifying the content, methodology and presentation of the information to be disclosed, long-term leases that result in the recognition of right-of-use assets are considered capital expenditure and are reported in the EU Taxonomy chapter of the Sustainability Report.

Cash flow

(000 EUR)	2024	2023	Index 24/23
Cash at the beginning of the period	79,120	76,286	104
Inflow from activities	282,941	260,133	109
Total inflow	282,941	260,133	109
Obligations	288,187	264,665	109
Loans	137	2,951	5
Total outflow	288,324	267,615	108
Net investment activities	-28,909	10,315	-
Net change in the period	-34,293	2,833	-
Cash at the end of the period	44,827	79,120	57

The Company's cash balance at the end of 2024 totalled EUR 44.8 million, as a result of significant investments and high transition costs.

The Company's inflows from operating activities were 9% greater than in 2023, totalling EUR 282.9 million.

Its outflows rose by 8%, and were mainly entailed by significant transition costs, increased number of flights and inflationary pressures affecting the operating costs. Due to the delayed delivery of Airbus A220 aircraft and the extended season of works on the existing fleet, the Company was forced to lease aircraft on a short-term basis in 2024, which resulted in an additional outflow of EUR 10.9 million. Investments totalled EUR 28.9 million and included the costs of a new spare engine and spare parts for the A220 fleet, future works on the leased aircraft and major works on the Airbus fleet.

In September and October 2023, the Company received proceeds from the sale of its own Airbus aircraft nearing the end of their service life, which were used in 2024 to finance the purchase of a spare engine and spare parts for the new A220 aircraft. In 2024, the Company made a pre-delivery payment of EUR 961,000 for the purchase of another spare engine for the Airbus A220 fleet, EUR 559,000 for security deposits prior to the arrival of two new aircraft into the fleet, and EUR 185,000 for a deposit for access to the component pool for the new Airbus A220.

There were no fresh borrowings in 2024.

Consolidated business result

(000 EUR)	Croatia Airlines		Obzor putovanja		Amadeus Croatia		Croatia Airlines Group*	
	2024	2023	2024	2023	2024	2023	2024	2023
Operating revenues	234,878	222,984	1,125	1,337	723	754	236,667	225,037
Other revenues	20,293	29,377	24	23	0	1	20,318	29,402
Operating expenses	271,144	248,278	922	1,278	592	621	272,598	250,139
Operating profit/loss	(15,973)	4,082	227	82	131	133	(15,613)	4,300
Net profit/loss	(3,597)	(1,830)	(10)	(7)	0	0	(3,742)	(1,931)
Pre-tax profit	(19,571)	2,252	218	75	131	134	(19,355)	2,369
Net profit	(19,571)	2,252	177	68	131	134	(19,395)	2,362

* Data for the Croatia Airlines Group do not include mutual transactions (mutual revenues and expenditures have been eliminated)

The Group's consolidated result comprises the result of the Company and its subsidiaries. All transactions within the Group have been eliminated, and the consolidated result for 2024 at the Group level amounts to a loss of EUR 19.4 million. Total revenues and expenditures of the subsidiaries account for about 1% of the consolidated revenues and expenditures, showing that their business activities have only a minor impact on the business activities of Croatia Airlines.

As an air carrier, the Group is affected by the changes in interest and currency exchange rates. This is why it implements a policy of analysing and actively managing the current risk positions and market trends, as well as of setting off risk positions within the Group, to an extent possible.

Audit activities within Croatia Airlines also comprise an internal audit of its subsidiaries, as defined by Croatia Airlines' Strategic Plan of Internal Audit Activities.

Going concern principle

As the national flag carrier, Croatia Airlines plays a key role in connecting Croatia with other European and global destinations, thus boosting the country's economy, tourism and social connectivity. In order to ensure long-term stability and competitiveness, the Company focuses on laying the foundations for sustainable growth and adaptation to changing market conditions by defining key strategic goals:

- ➔ Profitability;
- ➔ Responsibility to shareholders;
- ➔ Capital increase;
- ➔ Fleet renewal and optimisation;
- ➔ Implementation of the Public Service Obligation (PSO) contract.

In order to achieve the above strategic goals, the Company has initiated, or will initiate, the following measures:

Fleet structure optimisation

The Company's key strategic goal is to replace the existing fleet with 15 new Airbus A220 aircraft. In 2024, the Company intensified activities related to the introduction of new Airbus A220 aircraft into the fleet and their commissioning. The first Airbus A220 joined the fleet on 30 July 2024, and another one was delivered on 20 December 2024.

Optimisation and expansion of the destinations network

Despite the delayed delivery of new aircraft and the significantly increased time required for the base maintenance of the existing fleet, the Company recorded 2% more flights and 6% more passengers than in 2023. Within the summer flight schedule, the Company further expanded its network of international destinations by introducing new routes from Zagreb to Berlin, Stockholm and Tirana, and from Split to

Istanbul, and the 2025 plan envisages further growth in the number of destinations.

Increase in passenger revenues

The diversification of service prices and further digitalisation of all commercial activities in order to exploit new revenue potential, together with the 2% increase in the number of flights and the 6% growth in the number of passengers, contributed to a 5% increase in passenger revenues compared to 2023. This creates the conditions for greater revenue growth in the coming years, despite the challenges of the transition period in terms of network stability and capacities offered.

Increase in non-flight revenues

The Company's goal is to achieve productivity growth and increase the scope of maintenance work for third parties, with maximum utilisation of the hangar capacity, made possible by the replacement of Croatia Airlines' old fleet with new aircraft.

Optimisation of business processes

The Company continues to optimise its business processes, with a particular focus on the digitalisation of operational traffic and maintenance processes and further improvement of its commercial platform. This includes improvements to the documentation management system, the reengineering of the revenue reporting process in SAP, a new traffic statistics monitoring system and a new financial planning application. The adaptation of all existing systems for the introduction of the new aircraft type is also a challenge.

In defining its strategic goals, Croatia Airlines identified two key risks in the fleet transition process: maintenance of the old fleet and delays in the delivery of new aircraft by the manufacturer (described in more detail on page 6 of this report). Although the goals were carefully

defined and all appropriate measures were taken to mitigate the identified risks, the unforeseeable external factors beyond the Company's control had a negative impact on the operational processes and financial performance in 2024 and required corresponding operational adjustments, with the transition costs significantly driving up the operating costs.

The realised revenue growth was insufficient to cover total costs and Croatia Airlines recorded a net loss of EUR 19.6 million, of which EUR 19.4 million is due to negative cost and revenue effects of the transition period of fleet renewal. At the same time, a positive EBITDA of EUR 7.3 million indicates operating profitability before interest and depreciation. Despite the envisaged net losses during the fleet renewal transition period, EBITDA indicators will show positive growth.

Croatia Airlines' experience in the transition year of 2024 suggests that it will continue to face the same challenges and risks in 2025, for which a negative financial result on a positive EBITDA is forecast. Another five Airbus A220 aircraft are expected to join the fleet in 2025.

In order to successfully bridge the financially demanding transition period of fleet renewal, Croatia Airlines expects further support from its owner – the Republic of Croatia, in the form of recapitalisation, which will create the necessary conditions for sustainable operations in the period after the entire fleet has been replaced. The implementation of the above strategic goals and the continuation of the privatisation process, once the conditions are met, will reduce the risks and uncertainties regarding the Company's ability to continue as a going concern in the period ahead, and lay a solid foundation for future sustainable growth and development.

Objectives and goals for 2025

The International Air Transport Association (IATA) has put the industry's net profit growth for 2025 to \$36.6 billion, primarily as a result of the anticipated further decline in jet fuel prices, which will reduce fuel costs by \$13 billion on a 5.3% increase in flights. Operating costs, excluding jet fuel, rose by 11.2% in 2024, significantly more than block time and revenues, and are expected to grow by 7.6% in 2025, well above the anticipated revenue growth of 4.4%. Combined with the volatility of jet fuel prices, this points to a growing risk of increases in other operating costs, especially when it comes to monopoly suppliers. The expected profit margin of 3.3% in 2024 and 3.6% in 2025 is still very low; it was 3.9% in 2023.

The Company's business operations in 2024 were characterised by the operational and financial challenges of the transition to a new fleet. Croatia Airlines' experience in the transition year of 2024 suggests even greater challenges and risks in 2025, when another five of the 15 Airbus A220 aircraft on order are expected to join the fleet. In 2025, the Company will focus on the implementation of operational activities associated with the introduction of new Airbus A220 aircraft into the fleet, the preparation of three aircraft (two Q400s and one A320) for retirement and the expansion of the network of destinations served from Zagreb.

Croatia Airlines' Business Plan for 2025 projects growth in both traffic performance and passenger revenue, but the transition costs of fleet replacement will contribute to an operating loss of EUR 14.9 million. The revenue and cost projections are based on a capacity of 2.5 billion available seat-kilometres and 2.19 million passengers.

The envisaged result is based on the projection of traffic performance that serves as a basis for the calculation of operating revenues and expenses:

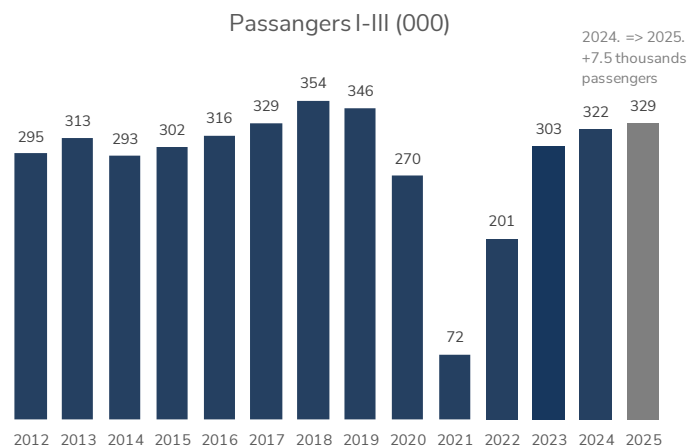
- ➔ 27,991 – block time in flights;
- ➔ 38,457 – block time in block hours;
- ➔ Annual traffic of 2.19 million passengers (348,000 more compared to 2024);
- ➔ PLF on the level of 68.1%.

In 2024, Croatia Airlines plans to implement the PSO scheme on domestic routes in line with the contract entered into for the period from 2022 to 2026, and on the international route Zagreb-Mostar-Zagreb based on the contract concluded with Mostar Airport.

A part of activities in 2025 will refer to further digitalisation and optimisation of IT support. In 2025, the emphasis still lies on the maximum operations safety ensured by adhering to the legal regulations, and maintaining relevant certificates and approvals. The goal is to retain the technical reliability of the fleet, while performing all regular check-ups, modifications and other works on the fleet aircraft and engines, in accordance with the applicable standards, and maintaining the high level of quality, safety and punctuality.

The main risks affecting the realisation of the envisaged financial and non-financial results in 2025 refer to delayed entry of five new A220 into the fleet, supply chain issues related to engine and aircraft parts for certain types of aircraft, oil price and emission allowance price trends, demand for air traffic services, regulatory changes that might entail rising compliance costs, and additional costs pertaining to passenger rights regimes, regional environment initiatives and accessibility requirements, which means that vigilance and flexibility will be crucial for the entire airline industry, including Croatia Airlines.

Current operations – traffic performance in the first quarter of 2025



The number of passengers carried in the first quarter of 2025 rose by 2% (7,500 passengers) compared to the same period of 2024. Domestic scheduled traffic saw a 3% rise, while international scheduled traffic recorded a 2% rise compared to the same period of 2024. The passenger load factor (PLF) was 59.9%, 0.2 pp higher than in the same period of 2024.

Jasmin Bajić

President and CEO

Sustainability Report

Croatia Airlines 2024



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A foreword by the President and CEO

Determined to achieve the set goals, in 2024 Croatia Airlines proudly celebrated its 35th anniversary and 20 years of Star Alliance membership, and set its mind to further promote sustainable growth and improve the quality of all segments of its business operations.

The most important milestone on this path was undoubtedly the launch of the largest project in the history of Croatia Airlines – fleet renewal with new Airbus A220 aircraft, which will open new horizons in the coming years, improve our ecological footprint and increase the satisfaction of our employees, key stakeholders and passengers, all owing to the advanced features and comfort of the new aircraft.

In line with its Post-COVID Strategy, in 2024 Croatia Airlines continued to increase frequencies and introduce new routes, which led to an increase in the number of flights and passengers. With the arrival of new aircraft, we plan to further expand our network of flights and increase frequencies in the coming years, providing our passengers with additional options to travel to their desired destinations. With the new A220 aircraft, we will be able to respond even better to the specific needs of our passengers and, as is already evident, offer a more efficient business model. As equally important, I would like to take this opportunity to point out that as a member of Star Alliance, we are actively committed to achieving the common goals of reducing emissions and promoting the use of sustainable fuels.



We aim to achieve net-zero emissions by 2050, in line with the global goals of the airline industry. Our business operations are fully guided by regulatory obligations related to sustainability, and in line with the ReFuelEU regulation stipulating the mandatory use of sustainable aviation fuels from 2025, Croatia Airlines refuelled SAF for the first time in the Republic of Croatia on 19 April 2024.

On the wings of our new aircraft, the year of 2024 marks the beginning of our most important transition period, characterised by significant investments and increased cost exposure, which will last until 2028, when the fleet replacement process is expected to be completed. Croatia Airlines will continue to develop its business model based on quality and sustainability, knowing that these efforts will pay off in the coming period.

Our vision has always been to remain an airline with a distinctive identity, ensuring growth through sustainable business operations and responding to user needs in the right way. Connecting Croatia to global destinations, while ensuring safe and comfortable flights for our passengers, preserving the environment and supporting the country's tourism and economy, remains our priority.

Yours respectfully,

Jasmin Bajić
President and CEO



About the Sustainability Report

The Sustainability Report has been prepared on a consolidated level for Croatia Airlines d.d. /joint-stock company/ (hereinafter: Croatia Airlines, CA or the Company) and includes the following companies: Amadeus Croatia d.d. /joint-stock company/ and Obzor putovanja d.o.o. /limited liability company/. It has the same consolidated basis as the financial statement for 2024. The sustainability strategy and the environmental, social and governance policies refer to all Group companies, and quantitative indicators in the report refer to Croatia Airlines d.d., unless otherwise stated in the text.

The double materiality assessment described in the first chapter titled *General information* includes the identification of impacts, risks and opportunities upstream and downstream in the value chain. For each topic, the extent to which policies, measures, targets and indicators relate to the value chain is specified.

Information on the financial resources allocated to achieve climate targets is not included in the Sustainability Report as it is considered confidential. No information that can be attributed to intellectual property, knowledge or innovation results and is related to material topics and can objectively contribute to the understanding of the development, business performance and positioning of the Company and its activities has been omitted from the Sustainability Report. Croatia Airlines has chosen not to use the possibility of exemptions to disclose information on upcoming events or issues related to material topics during negotiations.

Disclosures in specific circumstances

Periods	The report applies the definitions of short-term (<1 year), medium-term (1-5 years), and long-term (>5 years) periods from ESRS 1.
Value chain assessment	If data has been estimated based on indirect sources, this will be explained in the description of the methodology used for each indicator.
Sources of estimation and outcome uncertainty	If the measurement of an indicator or monetary amount is uncertain, this will be stated in the description of the methodology for the respective indicator/amount.
Changes in the preparation or presentation of sustainability information	This is the first sustainability report according to ESRS standards. The previous sustainability report was prepared according to GRI standards.
Reporting on errors from previous periods	This is the first report under ESRS standards. No significant errors from the previous period were identified when the report was prepared according to GRI standards.
Disclosures arising from other regulations or generally accepted statements within sustainability reporting	The environmental section presents information derived from the requirements of the EU Taxonomy Regulation. The report does not include information required by other regulations mandating the company to disclose sustainability information or from generally accepted sustainability reporting standards and frameworks.
Inclusion by reference	The company does not include information by reference, as explained in ESRS 1, section 9.1.
Application of phased-in provisions in accordance with Appendix C of ESRS 1	The company has decided not to apply the option to omit information prescribed by ESRS E4, ESRS S1, ESRS S2, ESRS S3, or ESRS S4 in accordance with Appendix C of ESRS 1.

The sustainability information was collected by the sustainability reporting working group appointed by the Management Board, which includes representatives from organisational units responsible for managing material impacts, risks and opportunities.

This Report has been prepared in PDF and posted on the Company's webpages: [Corporate governance | Croatia Airlines](#). Croatia Airlines invites stakeholders to read the Report and send their comments, suggestions and questions to the following email address: esg@croatiaairlines.hr.

Information about Croatia Airlines

General information

Company name and head office

Croatia Airlines d.d.

Address of the Company's head office: Bani 75 b, Buzin, 10010

Zagreb, Croatia

Ownership and legal form

Croatia Airlines d.d. is a joint-stock company majority-owned by the state. Its share capital has been fully paid up.

On 31 December 2024, the Company's share capital amounted to EUR 92,387,953 and was divided into 92,387,953 ordinary shares with the nominal value of EUR 1.00 each.

Major shareholders as at 31 December 2024

Top 10 Shareholders	No. of shares	Portion in the share capital (in %)
REPUBLIC OF CROATIA	91,610,821	99.159%
AIRPORT ZAGREB D.O.O.	477,121	0.516%
HPB FOR THE REPUBLIC OF CROATIA	173,768	0.188%
JANAF D.D.	22,000	0.024%
CROATIA LOTTERY D.O.O.	4,000	0.004%
PRAGUSA ONE LTD	3,682	0.004%
HP D.D.	2,750	0.003%
TURISTHOTEL D.D.	2,090	0.002%
TANKERKOMERC D.D.	2,090	0.002%
OTHERS	89,631	0.097%
TOTAL	92,387,953	100.000%

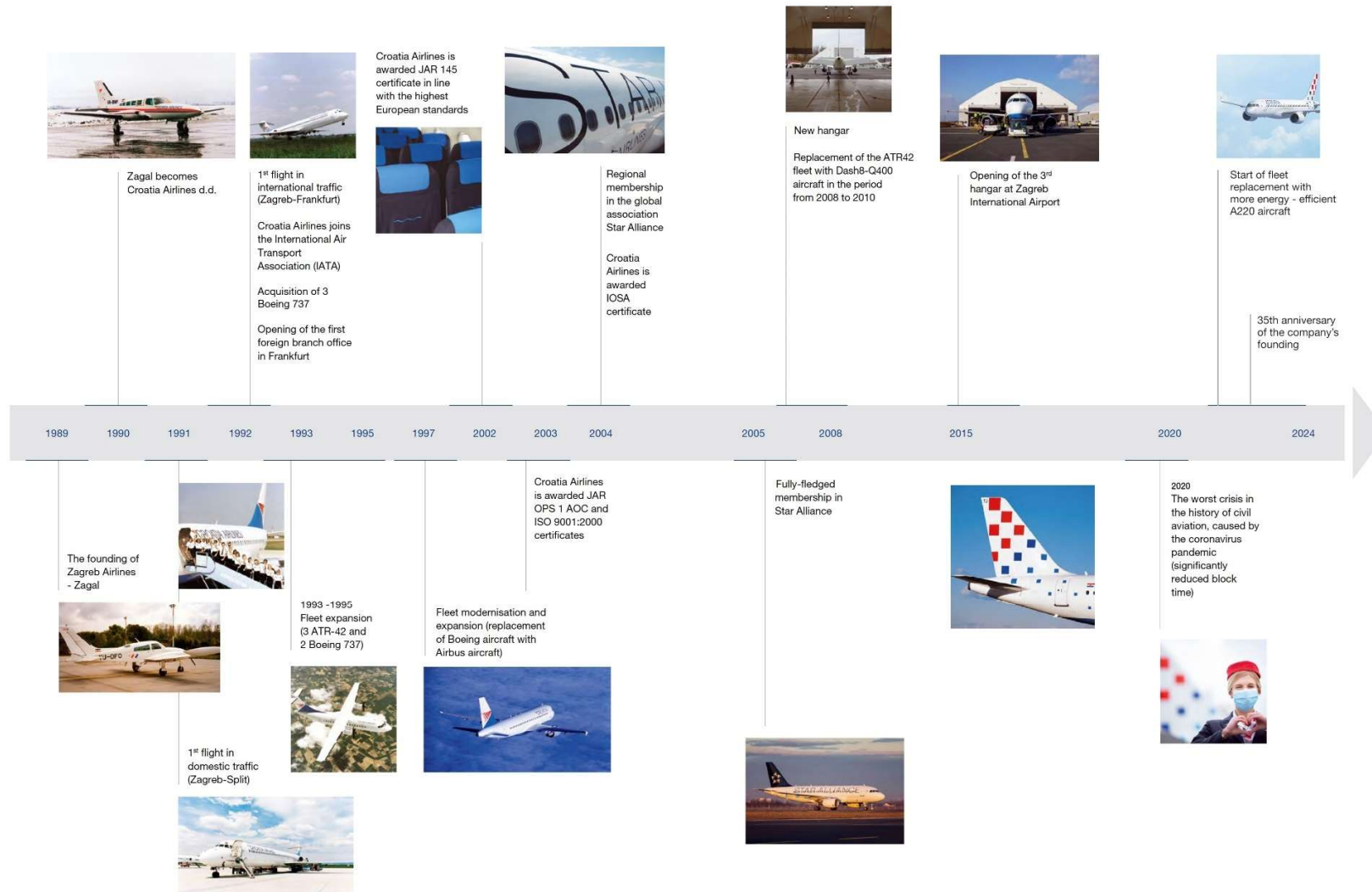
Companies owned

Croatia Airlines Group comprises Croatia Airlines d.d. and the following associate companies: Obzor putovanja d.o.o., 100%-owned by Croatia Airlines d.d., and Amadeus Croatia d.d., 95%-owned by Croatia Airlines d.d.

The Obzor putovanja travel agency provides top-quality services that include organisation of individual or group travels within Croatia and abroad, sale of domestic and international airline tickets (IATA licence), arrangement of hotel accommodation in Croatia and abroad, cultural tourism, organisation of conferences, etc.

Being part of a joint reservation system, Amadeus Croatia d.d. is responsible for the local market, i.e. for distribution, presentation and all other matters related to Amadeus. Amadeus is a joint reservation system that was set up by the European airlines – Air France, SAS, Iberia and Lufthansa (SAS later backed out, and its place was taken by the U.S. airline Continental) and started operating in Europe in the early 1990s. Today, Amadeus is a leading provider of advanced technology solutions for the global travel industry, catering to the needs of service providers (airlines, hotels, car rental companies, railways and others), service sellers (travel agencies and online portals) and service users (corporations and travellers).

The history of Croatia Airlines



Management structure

The Company's operations are organised through its business functions, which are grouped into business units and through the joint functions of the Company organised within the Management Secretariat, Quality and Safety Management Office, Crisis Management and Emergency Response Office, Controlling and Internal Audit Sector, and corporate functions comprising the Finance and Accounting Sector, Legal Affairs Sector, Human Resources and Asset Management Sector, and IT Sector.

The traffic division comprises flight and cabin operations, Operations Training Centre, operations and HUB centre.

The technical works division comprises engineering and technical support, material management, preparation and control of works, base and line maintenance, technical control, aircraft parts and equipment maintenance and the Technical Training Centre.

The third area comprises commercial activities, i.e. sales and marketing, user and operational support, acquisitions, and network and revenue management.

Pursuant to the Company's Articles of Association, the Company's Management Board consists of a minimum of one and a maximum of three members, while the Supervisory Board has a maximum of five members, including one employee representative. The Management Board is chaired by Jasmin Bajić, and the Supervisory Board by Zlatko Mateša. In 2024, Croatia Airlines' Supervisory Board had for four members.

Composition and diversity of the Management and Supervisory Board of Croatia Airlines d.d.

	Management	Supervisory Board
Number of members	1	4
Number of executive members	-	-
Number of non-executive members	-	-
Employee representation	0	1
Percentage of women	0%	0%
Percentage of independent members	100%	75%

Experience relevant to the company's sectors, products, and geographical locations

Extensive professional experience in aviation, particularly in finance

All supervisory board members have long-term professional experience required for the aviation sector, particularly in areas such as finance, accounting, and management

Composition and diversity of the Management and Supervisory Board of Amadeus d.d.

	Management	Supervisory Board
Number of members	1	3
Number of executive members	-	-
Number of non-executive members	-	-
Employee representation	0	0
Percentage of women	100%	33%
Percentage of independent members	100%	0%

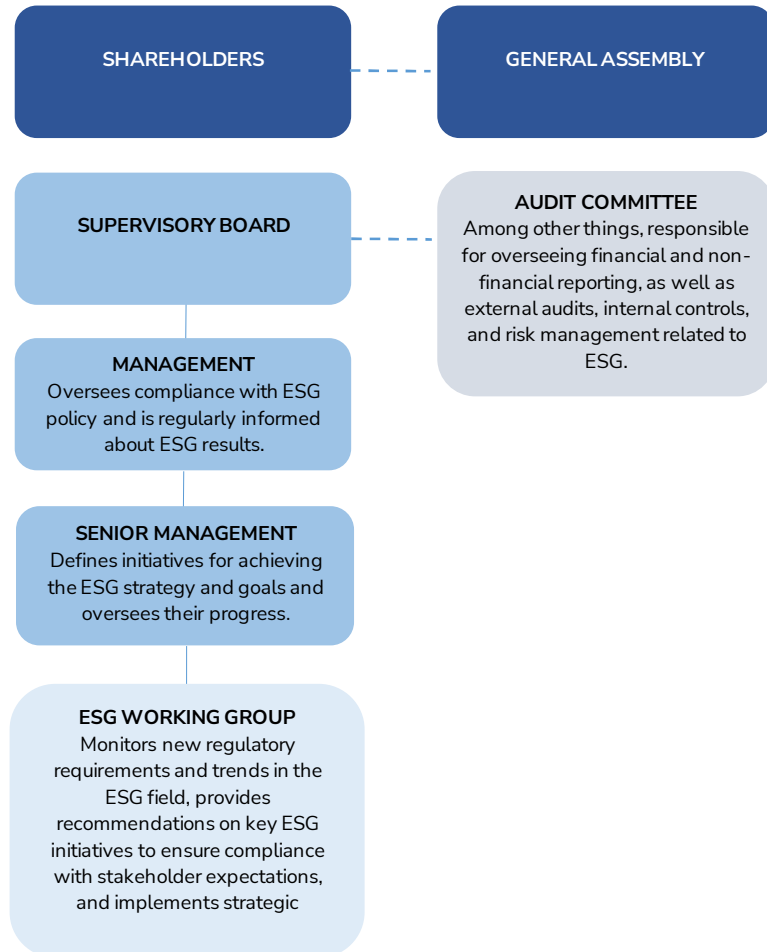
Experience relevant to the company's sectors, products, and geographical locations	Extensive professional experience in agency reservation systems	All members of the Supervisory Board possess long-standing professional experience relevant to the aviation sector, particularly in areas such as reservation systems and management
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Composition and diversity of the Management and Supervisory Board of Obzor putovanja d.o.o.

	Management	Supervisory Board
Number of members	1	3
Number of executive members	-	-
Number of non-executive members	-	-
Employee representation	0	1
Percentage of women	100%	67%
Percentage of independent members	100%	0%

Experience relevant to the company's sectors, products, and geographical locations	Extensive professional experience in the tourism sector and direct agency sales	All members of the Supervisory Board have long-standing professional experience relevant to the aviation sector, particularly in areas such as finance and accounting, sales, marketing, and management
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Roles and responsibilities of administrative, management and supervisory bodies of Croatia Airlines d.d.



The Management has many years of experience in the airline industry and qualifications in finance and economics. In-depth knowledge of the environment, stakeholders, business processes and the industry ensures that operational impacts and sustainability risks are well understood and managed.

The President of the Management Board receives ongoing training in all areas of sustainability, particularly concerning the net-zero transition, aviation safety and human resources management, and is supported by specialist advisors.

Responsibility for the management of material topics

KEY ESG AREAS	RESPONSIBLE PERSONS
Emissions and GHG emissions	Director of Commercial Affairs, Head of Fuel Procurement and Sustainable Development
Environmental Protection	Director of Commercial Affairs, Head of Fuel Procurement and Sustainable Development, Head of Integrated Protection
Workplace Safety and Security	Director of Legal Affairs, Human Resources and Asset Management, Head of Integrated Protection
Employee Management	Director of Legal Affairs, Human Resources and Asset Management, Head of Human Resources Management
Operational and Passenger Safety	Quality, Safety, and Security Manager, Operations Safety Manager, Air Traffic Security, Facilitation, and Fraud Prevention Manager, Director of Traffic
Passenger and End-User Satisfaction	Director of Commercial Affairs – for passenger satisfaction Director of the Technical Sector – for the satisfaction of aircraft maintenance service users Heads of Training Centers – for the satisfaction of training service users
Business Conduct Policies	Secretary of the Management Board
Contribution to the Local Community	Secretary of the Management Board, Director of Commercial Affairs, Head of Human Resources Management

The Management Board is responsible for monitoring impacts, risks and opportunities. It has delegated the management and monitoring of material topics to senior management, as shown in the table entitled *Responsibility for the management of material topics*.

The impact, risk and opportunity management processes are integrated into internal functions and make part of the management system through which policies are adopted, measures are planned and implemented, and key impact, risk and opportunity indicators are monitored.

The responsibilities of the Management Board and individuals for the material impacts, risks and opportunities are defined in the classification of jobs, contracts, special authorisations, internal policies and regulations.

President of the Management Board defines guidelines for the setting of ESG targets, on the basis of which the persons responsible for key ESG areas set targets to be approved by the Management Board.

The persons responsible for key ESG areas continuously monitor progress towards the targets and report to the Management Board thereof through regular internal reports or at the Management Board meeting. Based on the instructions of the Ministry of the Sea, Transport and Infrastructure, in 2024 the Company started the process of defining the content and method of informing the Government of the Republic of Croatia – the Company's owner – about ESG targets and their achievement, and the first such report was delivered in 2024.

Informing the Management and Supervisory Board on sustainability

Key sustainability factors are managed through the systems set up in accordance with applicable regulations and international standards. The persons responsible for individual management systems report regularly to the Management and Supervisory Board on the implementation of policies and measures, indicators, and goals achieved.

When making strategic decisions, the Management Board takes into account the impact on the environment and stakeholders, and contribution to sustainable growth. Safety and stability of operations are paramount in all decisions and cannot be compromised. When deciding on the fleet replacement, as one of the key strategic initiatives of the Company's Post-COVID Strategy, the Management Board took into account the environmental criterion, i.e. the goal of reducing fuel consumption and greenhouse gas emissions. In doing so, it temporarily reduced the transition risk associated with the EU policy to decarbonise transport and ensured a lower environmental impact in the future.

A list of key sustainability factors addressed by the management, supervisory and administrative bodies in the reporting period:

- Review of material sustainability topics through materiality assessment process
- Fleet renewal
- Development of an action plan to reduce carbon footprint
- Implementation of ReFuelEU and start of SAF use
- Advancement of information security system in accordance with ISO 27001
- Collective bargaining and conclusion of a collective bargaining agreement for the next five years.

Incorporating sustainability-related performance into incentive schemes

In the reporting period, sustainability-related performance was not included into incentive schemes.

Due diligence statement

The Management is committed to operating in socially and environmentally responsible manner, which is why due diligence is integrated into the daily corporate management practice. Croatia Airlines continuously identifies and assesses the actual and potential impacts of its operations, through an integrated management system, with the aim of preventing, and, where this is not possible, mitigating its social and environmental impacts. The key elements of due diligence are related to a series of publications and are presented in the table to facilitate access to information for users.

Due diligence elements in the Sustainability Report

Elements of Due Diligence	Page
Integration of due diligence into management, strategy, and business model	10, 25-28
Inclusion of affected stakeholders in all key steps of the analysis	10, 21-22, 61-62, 75, 92
Identification and assessment of negative impacts	23-28
Implementation of measures to minimize negative impacts	43-44, 47-50, 54-55, 64-70, 83-91
Monitoring the effectiveness of efforts and communication	50-53, 55-56, 72-75, 83-91, 99-100

Risk management and internal control of sustainability reporting

Croatia Airlines' Management is committed to sustainable and responsible operations, which is supported by its strategic documents, mission, vision and policies. It is responsible for overseeing sustainability issues and the sustainability reporting process, expressing its determination to create sustainable value for all stakeholders.

Croatia Airlines recognises potential incomplete or inaccurate data as a risk associated with sustainability reporting. Listed below are the key elements of internal control over sustainability reporting aimed at mitigating this risk:

- Croatia Airlines has implemented management systems in accordance with the ISO 9001, ISO 14001, ISO 50001 and ISO 27001 standards, and international regulations on safety of operations. Accordingly, it conducts audits that include the assessment and verification of processes, procedures and policies to ensure their compliance and efficiency, as a prerequisite for minimising risks related to data accuracy and integrity.
- Human resources and environmental data are collected throughout the year in line with legal requirements and industry practice, mainly using IT tools. For sustainability reporting purposes, the Company has delegated the collection of narrative and quantitative data to representatives of the units responsible for material ESG topics.
- At a consolidated level, the Company has implemented controls to ensure the accuracy, integrity and consistency of reporting on ESG metrics. The data collected was consolidated and validated by the ESG reporting working group.
- In order to further strengthen its internal control system, Croatia Airlines is continuously improving the existing processes and mechanisms. In the coming period the focus will be on improving the data collection and consolidation system, defining precise responsibilities and authorities in the reporting process, and evaluating the possibility of using additional tools for monitoring and analysing key indicators.
- In the reporting period, Controlling was closely involved in the preparation of the Sustainability Report and regularly informed the Management about the process, challenges and solutions.
- Ensuring the accuracy of the Group's financial statements and sustainability reports remains a key priority. The financial statements are audited by an independent audit firm appointed at an annual general meeting. Sustainability information is subject to a limited assurance engagement by the same independent auditor.

Strategy and business model

Mission

Croatia Airlines is a strategic part of Croatia's transport infrastructure, ensuring optimal air connectivity within the Republic of Croatia and with the world, while contributing to the development of tourism and the Croatian economy as a whole.

Vision

Our vision is to be an airline with a recognizable identity, ensuring growth through sustainable business practices while effectively responding to the needs of our customers.



CTN

ICAO code



OU

IATA code



13

aircraft on
31 Dec 2024



72

flights per day



35

airports



21

countries



34

destinations



26.438

flights



1.84

million
passengers



943

employees
on 31 Dec 2024



255

million EUR in
sales revenues



Miles&More

frequent-flyer award
programme



STAR ALLIANCE

global airline
association

Business model

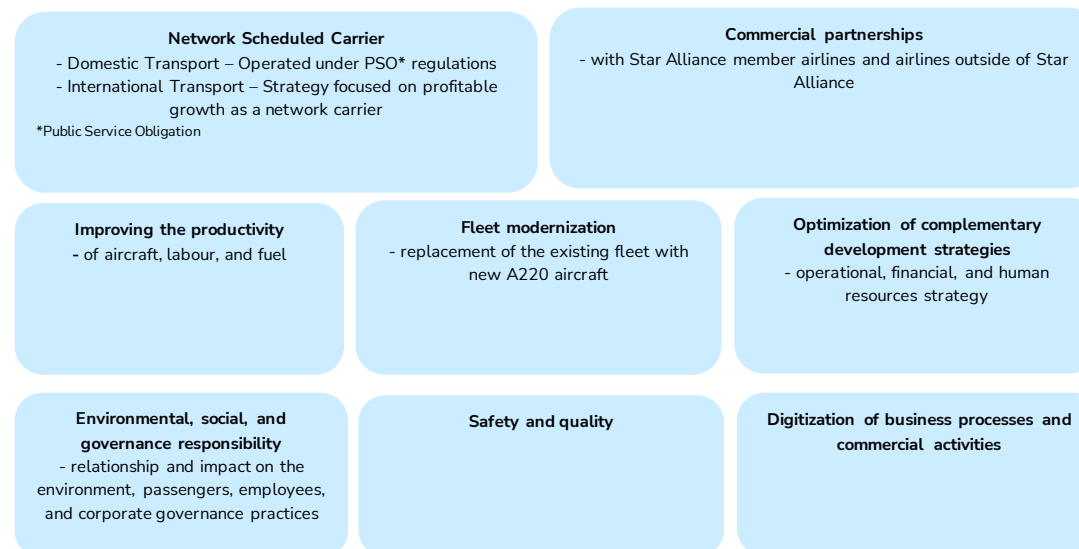
Croatia Airlines' business model is designed to ensure sustainability, efficiency and competitiveness in the dynamic environment of the airline industry. As a scheduled network carrier, the Company provides scheduled domestic traffic services in line with the Public Service Obligation (PSO), while at the same time implementing a strategy of profitable growth and network expansion on international routes, thus providing good connectivity to its passengers. Commercial cooperation with Star Alliance members and other partners is an important aspect of business operations. It promotes market expansion and competitiveness and creates added value for passengers. At the same time, the Company focuses on increasing productivity through optimised utilisation of aircraft, labour and fuel, thus ensuring financial efficiency and operational stability. Fleet modernisation is a key element of the growth strategy. By replacing the existing fleet with modern Airbus A220 aircraft, the Company is

increasing energy efficiency, reducing greenhouse gas emissions and improving overall service quality. In addition, optimising operational, financial and human resource strategies will ensure stable growth and adaptability in challenging market conditions.

The Company pays special attention to environmental, social and corporate governance responsibilities. It recognises the importance of responsible attitude towards the environment, passengers and employees, and implements the best corporate governance practices. Safety and quality remain the core values that permeate all business segments.

The digitalisation of business processes and commercial activities further strengthens the Company's position, modernising operations and improving user experience. Such a holistic approach enables Croatia Airlines to build a sustainable and future-oriented business model.

Croatia Airlines Business Model



The fleet

In 2024, Croatia Airlines operated a fleet of 13 aircraft: one Airbus A220-300, two A320s, four A319s and six Q400s. In late December 2024, another

A220-300 joined the fleet and will be fully operational in 2025. The Company is replacing the fleet with a new, uniform fleet of A220 aircraft, and the current ones will be phased out and returned to their owners, i.e. lessors.



Airbus 220-300

Raspon krila
Wing span (m/ft) **35 / 115**

Duljina trupa
Fuselage length (m/ft) **38,7 / 127**

Najveća dopuštena težina
Maximum take off weight (kg) **62142**

Najveća letna brzina
Maximum cruising speed (km/h) **871 (470KTS)**

Broj zrakoplova u floti
Number of aircraft in fleet **1**

Broj sjedala
Number of seats **149**

Wi-Fi u zrakoplovu
Wi-Fi on board



Airbus A319-100

Raspon krila
Wing span (m/ft) **35,8 / 117**

Duljina trupa
Fuselage length (m/ft) **33,84 / 111**

Najveća dopuštena težina
Maximum take off weight (kg) **64000**

Najveća letna brzina
Maximum cruising speed (km/h) **834 (450KTS)**

Broj zrakoplova u floti
Number of aircraft in fleet **4**

Broj sjedala
Number of seats **144 / 150**



Airbus A320-200

Raspon krila
Wing span (m/ft) **35,8 / 117**

Duljina trupa
Fuselage length (m/ft) **37,6 / 123**

Najveća dopuštena težina
Maximum take off weight (kg) **77000**

Najveća letna brzina
Maximum cruising speed (km/h) **834 (450 KTS)**

Broj zrakoplova u floti
Number of aircraft in fleet **2**

Broj sjedala
Number of seats **174**



Dash8 - Q400

Raspon krila
Wing span (m/ft) **28,42 / 93,24**

Duljina trupa
Fuselage length (m/ft) **32,83 / 107,71**

Najveća dopuštena težina
Maximum take off weight (kg) **29257**

Najveća letna brzina
Maximum cruising speed (km/h) **667 (360 KTS)**

Broj zrakoplova u floti
Number of aircraft in fleet **6**

Broj sjedala
Number of seats **76**

Key services and activities

Passenger transport, cargo transport and aircraft maintenance are the three core activities of Croatia Airlines d.d., and the Company's head office is in the Republic of Croatia.

Three core activities:



As the national flag carrier, Croatia Airlines is aware of its social responsibility to ensure optimal connection of the Republic of Croatia with the rest of the world, with an emphasis on contributing to the development of tourism in the country. It has been continually adapting to the needs of the tourism industry and development, and planning its network of direct flights both from the capital, Zagreb, and from destinations on the Adriatic coast. It also provides passengers with good connections to their final destinations in cooperation with its airline partners and those offering other means of transport.

In its thirty-fifth year of operation, Croatia Airlines has connected Croatian cities with major European metropolises and, in cooperation with its airline partners, with the whole world. As a member of Star Alliance, the world's largest airline grouping, it offers its passengers access to the global network of flights and numerous benefits.

Destinations

In 2024, Croatia Airlines directly connected airports in Zagreb, Split, Dubrovnik, Osijek, Pula, Rijeka, Zadar and Bol on the island of Brač with 27 international destinations, and Croatia with 20 European countries.

In cooperation with other airlines, Croatia Airlines offers good connections to the U.S., Canadian and other distant markets.



Branch offices abroad

Croatia Airlines has six branch offices abroad: Brussels – Belgium, Frankfurt – Germany, Paris – France, Sarajevo – Bosnia and Herzegovina, Skopje – North Macedonia, and Zurich – Switzerland.

Paris	France	Frankfurt	Germany	Zurich	Switzerland
Adress: Roissypôle Le Dôme, 1 Rue de la Haye BP 18913 Tremblay en France 95731 Roissy CDG Cedex		Adress: Kaiserstrasse 7 60311 Frankfurt a.M.		Adress: Letzigraben 154, 8047 Zurich	
Brussels	Belgium	Skopje	North Macedonia	Sarajevo	Bosnia and Herzegovina
Adress: Tribes Brussels Central Station, Kolonienstraat 56 1000 Brussel - België		Adress: Skopje International Airport 1043 Petrovec - Skopje		Adress: Sarajevo Airport Ul. Khurta Schorka 36, 71 210 Sarajevo	

Charter flights

Croatia Airlines also offers charter flights, i.e. the possibility of organising individual or series of flights for any company or organisation that requires a personalised, reliable and commercially optimal air transport service.

<https://www.croatiaairlines.com/hr/ostale-usluge/charter-prijevoz>

Goods and mail transport

Cargo transport is also a part of Croatia Airlines' services. Whether on its own and/or in cooperation with other airlines, the Company transports fragile goods, large shipments, animals or easily perishable goods, such as fresh fish, daily press, flowers, medicines, etc.

<https://www.croatiaairlines.com/hr/ostale-usluge/cargo-prijevoz>

Aircraft maintenance services

Croatia Airlines' Technical Centre offers various services in the field of base and line maintenance, engineering services, and technical and logistics support for other companies. To date, it has performed several hundred major works on its own fleet and that of other companies.

<https://www.croatiaairlines.com/services/technical-services>

Other services

Supervision services at Croatian airports

Croatia Airlines also offers supervision services, intended primarily for airlines that have no representatives in Croatia and for the companies that are unable to cover all their traffic needs with their existing personnel. These services are provided at Dubrovnik, Split and Zagreb airports. The services include supervision of the handling agents' work, support in the event of traffic irregularities, and representation of airlines at destination airports.

<https://www.croatiaairlines.com/hr/Dodatne-usluge/Zemaljske-usluge/Usluge-supervizije>

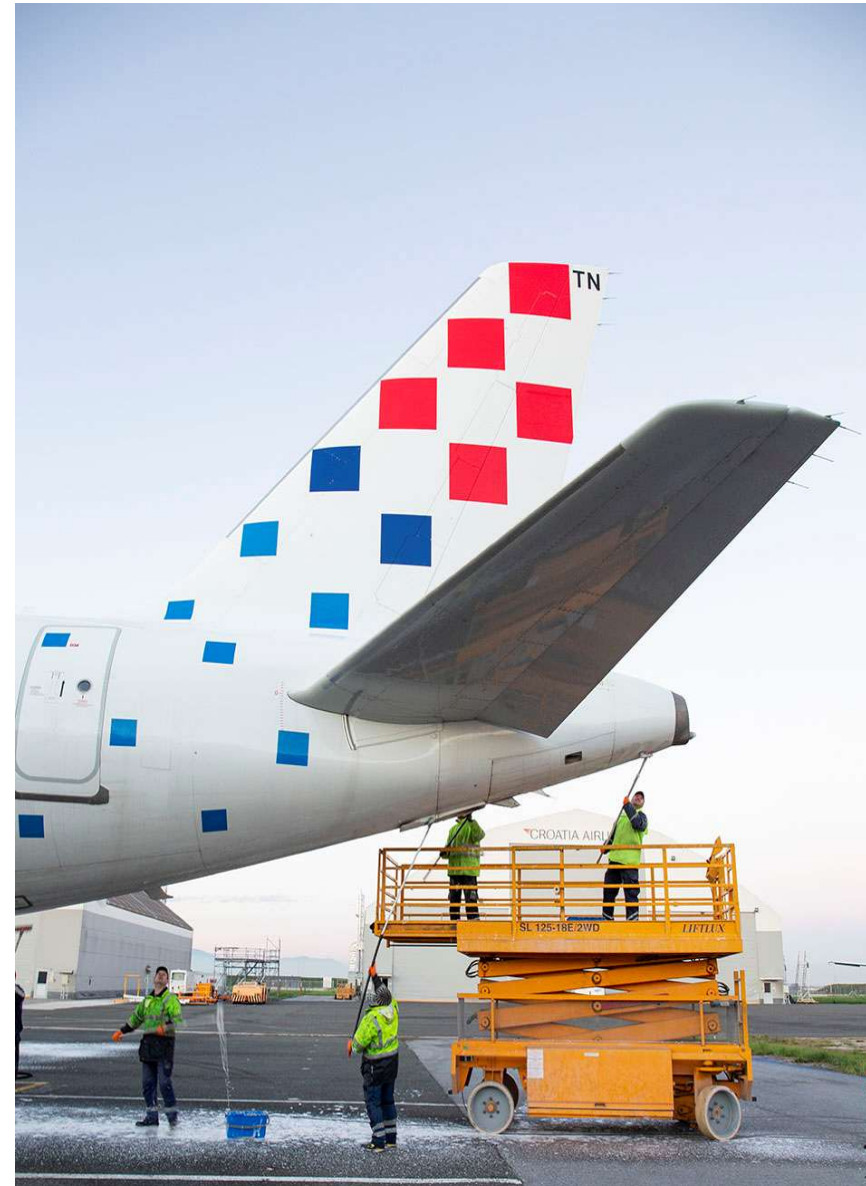
Commercial training

Croatia Airlines' training courses are based on IATA's standard programmes, and are held at the Training Centre by highly experienced internal instructors. Croatia Airlines organises a wide range of training courses needed by travel and commodity agencies for the acquisition of the IATA licence, as well as training courses for the employees of airports, freight forwarders and airlines. The Company's Operations Training Centre offers courses for the flight, cabin and ground operations personnel. All training courses are based on certified programmes harmonised with EASA regulations and approved by the Croatian Civil Aviation Agency.

Croatia Airlines' Technical Training Centre is a certified organisation for the training of aircraft and technical personnel, offering a wide range of training courses for specific aircraft types, and specialist training courses for aviation engineers and technicians. Aircraft type training is provided in accordance with the EASA Part 66/Part 147 standard, and is intended for the holders of Part 66 licence for the maintenance of A, B1, B2 or C category aircraft and for engineers.

<https://www.croatiaairlines.com/hr/ostale-usluge/skolovanje>.

The Company does not offer products or services that are prohibited in certain markets. Croatia Airlines does not operate in the sector of fossil fuels, chemical production, controversial weapons or tobacco growing and production.



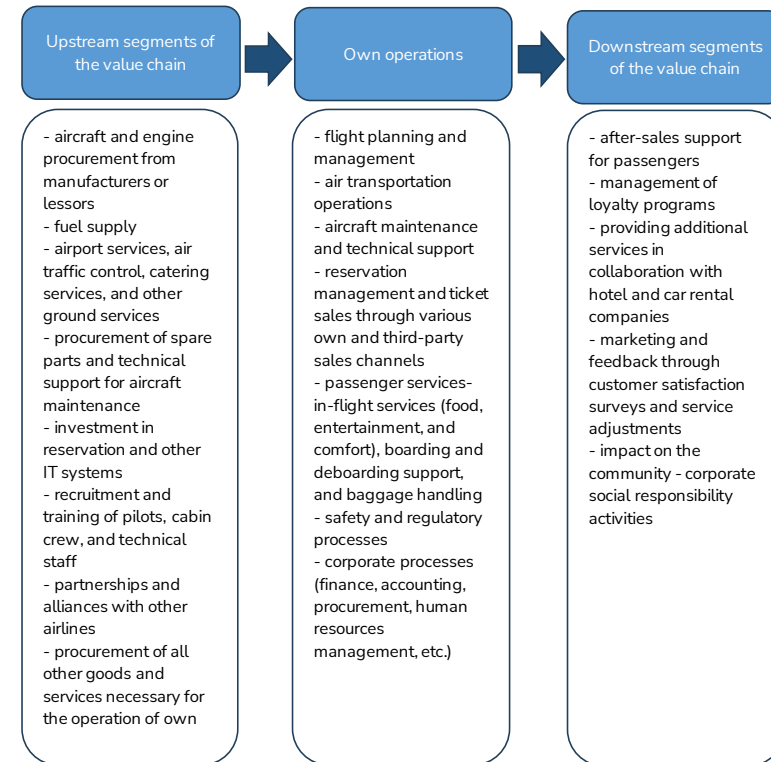
Š. Lugačarov

Value chain

The airline industry's value chain reflects the interrelated activities that contribute to the creation and delivery of value to the end user, ensuring competitiveness in the global market. Upstream activities relate to the procurement of resources such as aircraft and spare parts, the supply of fuel, the implementation of technological solutions to optimise operations and the employment of skilled professionals. Emphasis is placed on maintaining good relationships with suppliers, strategic planning and resource management to reduce costs and ensure efficiency.

The Company's own operations are at the centre of its business activities and include all the steps necessary to provide top-quality air transport services in terms of flight management, safety and comfort, and fleet airworthiness. Ancillary services, such as aircraft maintenance for third parties, play an important role in generating additional revenue and increasing resource utilisation. The digitalisation of processes in all segments of own operations contributes to the modernisation of business activities and improves user experience.

Downstream aspects of the value chain refer to activities that take place after the basic service. These include after-sales support, loyalty programmes that promote passenger retention and the provision of additional benefits. Marketing, feedback and user experience analysis are becoming key tools for improving services and adapting to the changing market needs. Also, sustainability and social responsibility are becoming an increasingly important part of the strategy as the Company strives to reduce its carbon footprint, promote environmentally-friendly practices and invest in local communities.



Sustainability strategy

Area	Objectives
Environmental Protection	<ul style="list-style-type: none"> Reduction of CO₂ emissions <ul style="list-style-type: none"> <i>Scope 1: Reduce emission intensity per passenger kilometer by 30% by 2030</i> <i>Scope 2: 0 t CO₂e - all purchased electricity will continue to have the HEP ZelEn certificate</i> <i>Scope 3: A system for monitoring emissions from Scope 3 is currently being established, and reduction targets will be set in future reporting periods</i> Continuous improvement of waste sorting processes and increasing recycling rates Rationalization of consumption and minimizing waste
Social - Employees	<ul style="list-style-type: none"> Maintain a high percentage of the workforce with permanent contracts and ensure continuous provision of social protection to employees Ensure salaries in accordance with industry standards and the collective agreement Continue dialogue between management and employees and uphold the freedom of association Implement all workplace safety measures and other activities aimed at the health and safety of the workforce Promote diversity, equality, and inclusion in employment Enable employees to improve and further develop their skills in line with their job roles
Social - Passengers	<ul style="list-style-type: none"> Operational safety and protection of users Increase in passenger satisfaction
Social - Local Community	<ul style="list-style-type: none"> Contribution to the local community

Area	Objectives
Governance	<ul style="list-style-type: none"> Continuous application of business conduct policies that ensure customer satisfaction, safety, ethics, and responsibility towards employees, partners, and the environment Consistent implementation of the anti-corruption program Strict adherence to internal rules and a transparent system for reporting irregularities Maintaining quality and transparent relationships with suppliers Adherence to agreed obligations and payment deadlines Maintaining an internal control system and regular audits to ensure compliance with laws and internal regulations

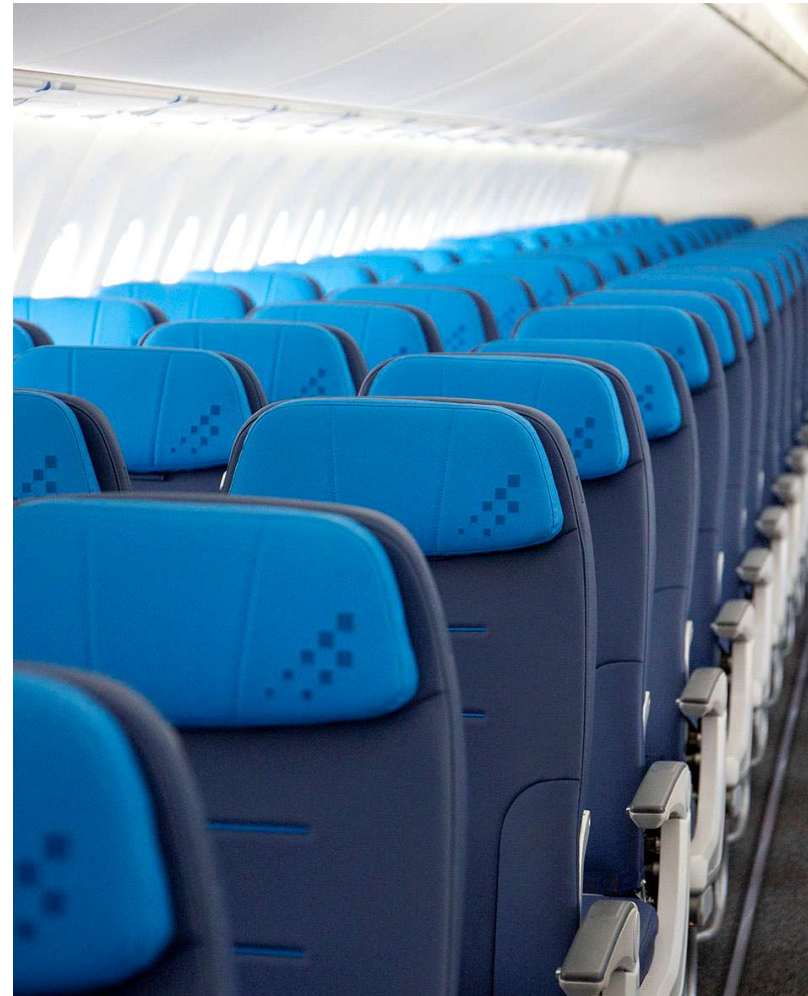
Future challenges and key solutions

Croatia Airlines recognises the importance of addressing challenges in environmental protection, social responsibility and corporate governance, and is taking concrete steps to ensure sustainable and responsible corporate growth. In terms of environmental protection, the key objective is to reduce CO₂ emissions and transition to a low-carbon economy. The European Green Deal requires companies to decarbonise their operations and achieve carbon neutrality. Croatia Airlines faces a lack of technological solutions that would allow it to transition to renewable energy sources. Given these limitations, the Company is committed to contributing to the fight against climate change and is therefore working on its climate transition plan, which will be adjusted to keep pace with technological developments and new regulatory requirements. The Company will also focus on reducing waste by optimising and digitising its operational processes.

As for the social aspect, Croatia Airlines is facing challenges such as the shortage of qualified staff, as licensed professionals leave for better paid jobs. In order to address these challenges, the Company actively strives to maintain a stable and positive working environment, ensure competitive salaries and continuous professional training. It promotes inclusion, diversity and equality, with a particular focus on occupational health and safety. When it comes to customers and passengers, Croatia Airlines focuses on ensuring a high level of safety, developing the destination network and improving user support and information management. It also actively contributes to the local community through various socially responsible activities.

In terms of corporate governance, Croatia Airlines sets high standards of ethics, responsibility and transparency. It strictly adheres to its Anti-corruption Programme, Code of Ethics and Corporate Governance Code, thus ensuring responsibility and integrity in all aspects of its business activities.

Croatia Airlines' commitment to sustainability, social responsibility and ethical management enables it to respond to current challenges, build the trust of its stakeholders and meet their expectations.



Š. Lugarov

Stakeholder relationships

Croatia Airlines recognises that good cooperation with stakeholders is key to successful and sustainable business operations. With this in mind, it has set up an internal working group which, as part of the double materiality assessment, has analysed and defined communication channels and key activities to be carried out in order to meet their expectations and take into account the topics of interest.

Croatia Airlines is guided by the principles of responsibility, ethical conduct, transparency and best business practices in its relations with all stakeholders. Given the nature of its activities, Croatia Airlines cooperates with a large number of stakeholders, with whom it maintains an open dialogue and exchanges information through well-established communication channels. As a result, it gains a better understanding of their key issues, expectations and areas of interest, and includes them in its sustainability practices and strategies.

Croatia Airlines has identified its stakeholders and classified them into the following three categories according to their importance and impact on its business operations: key stakeholders, stakeholders with significant influence, and other stakeholders. Stakeholder views and interests, identified through day-to-day activities, are discussed at regular meetings of the Management and sector managers. Taking stakeholder expectations into account, there was no need to make any significant changes to the business model or strategy during the reporting period.



Key stakeholders

- Passengers
- Cargo, aircraft maintenance and training service buyers
- Employees



Stakeholders with significant influence






- Shareholders and investors
- Suppliers
- Labour unions
- Government bodies



Other stakeholders

- Local community
- Other institutions
- Media/public

Stakeholders	Main interests of stakeholders	Channels of communication with stakeholders	Key activities
 Passengers	<ul style="list-style-type: none"> • Flight network • Flight safety and punctuality • Service price • Service quality • Timely and accurate information on flights, delays, etc. • Fast and efficient response to customer complaints/inquiries 	<ul style="list-style-type: none"> • Official website • Telephone, email • Fairs and conferences • Media and social networks • Croatia inflight magazine • Inflight entertainment • Service quality survey questionnaires 	<ul style="list-style-type: none"> • Ensuring product and service quality • Adherence to all prescribed safety standards in all stages of service preparation and delivery • Miles & More loyalty program • Organized customer support • Development of marketing campaigns • Customer education and information • Conducting customer satisfaction surveys • Managing feedback • Online platforms for communication and support
 Service customers (cargo, aircraft maintenance, training)	<ul style="list-style-type: none"> • Maintenance certificate retention for aircraft maintenance and certified personnel • Compliance with international standards • Adequate pricing for services • Service quality • Flight network for cargo customers 	<ul style="list-style-type: none"> • Business written communication • Telephone contact • Direct meetings • Business reports • Training for external users 	<ul style="list-style-type: none"> • Coordinating available capacities and human resources for providing external services after meeting internal needs • Managing feedback • Ensuring product and service quality

Stakeholders	Main interests of stakeholders	Channels of communication with stakeholders	Key activities
 Employees and unions	<ul style="list-style-type: none"> • Good working conditions • Adequate market salaries • Workplace health and safety • Career development, training, and further education • Work-life balance • Right to union association • Transparency and communication 	<ul style="list-style-type: none"> • Intranet • Email • E-newsletters • Internal meetings • Workers' council • Workers' assemblies • Meetings with unions • Written communications from management 	<ul style="list-style-type: none"> • Implementation of occupational safety and security procedures • Training programs, various workshops for skill development, and further education • Meetings and communication with the Workers' Council • Programs for work-life balance • Health initiatives • Various benefits in collaboration with partners • Ethics committee • Defined procedure for receiving and resolving complaints related to violations of workers' dignity • Intranet portals
 Shareholders and investors	<ul style="list-style-type: none"> • Economic and financial efficiency • Implementation of corporate governance principles • Compliance with international standards • Risk management • Information transparency • Alignment with ESG requirements 	<ul style="list-style-type: none"> • Annual business reports • Financial reports and notes • Shareholders' assemblies • Supervisory and audit board meetings • Official website • Official stock exchange and HANFA pages • Sustainability reports • Presentations and meetings 	<ul style="list-style-type: none"> • Implementation of strategic plans to ensure sustainable business operations • Execution of risk management processes • Holding shareholders' assemblies • Active participation in dialogues and engagements to inform shareholders and investors about the latest developments
 Partners and suppliers	<ul style="list-style-type: none"> • Mutual trust and transparency • Compliance with international standards and ESG requirements • Social and working conditions • Sustainable resource management • Stakeholder engagement and involvement 	<ul style="list-style-type: none"> • Business communication (email, mail, telephone) • Direct meetings • Business reports • Fairs • Website 	<ul style="list-style-type: none"> • Maintaining regular cooperation with suppliers and partners to ensure the smooth operation of the supply chain • Collaborating on sustainability and corporate social responsibility initiatives to enhance positive social and environmental impact • Identifying, assessing, and managing shared risks while ensuring compliance with relevant laws and regulations
 Local community	<ul style="list-style-type: none"> • Community contribution • Environmental impact • Economic opportunities and employment • Health and safety • Transparency and inclusivity • Quality of life 	<ul style="list-style-type: none"> • Donacije i sponzorstva • Donations and sponsorships • Official website • Direct contact, telephone communication, email, mail • Education and professional training • Social media 	<ul style="list-style-type: none"> • Developing partnerships with local authorities and other relevant stakeholders on corporate social responsibility and environmental protection issues • Collaborating with educational institutions in the local community • Organizing airline company tours for primary and secondary vocational schools • Providing internship opportunities for students
 Government authorities, other institutions, and media	<ul style="list-style-type: none"> • Compliance with all safety standards and flight regulations • Initiatives to reduce fuel consumption and emissions • Activities focused on reducing carbon footprint and adapting to climate change • Compliance with national and international policies and regulations • Regular reporting on business activities, safety incidents, and environmental performance 	<ul style="list-style-type: none"> • Business communication • Business reports • Official website • Official stock exchange and HANFA pages • Reports on business supervision (inspections, audits) • Conferences, meetings • Scientific and professional papers • Memberships • Working groups and committees • Media statements • Business reports • Official website • Official stock exchange and HANFA pages • Reports on business supervision (inspections, audits) • Conferences, meetings • Scientific and professional papers • Memberships • Working groups and committees • Media statements 	<ul style="list-style-type: none"> • Ensuring compliance with all relevant laws, regulations, and standards, including safety standards, environmental protection, and operational guidelines. • Adapting to and proactively responding to changes in domestic and international aviation policies. • Securing necessary licenses, certificates, and approvals for operations, such as flight permits, safety certificates, and maintenance certifications. • Providing timely and transparent information on operations, safety incidents, emissions, and other relevant matters. • Conducting safety drills, simulations, and emergency training while aligning with safety protocols.

Double materiality assessment

Croatia Airlines identifies and prioritises the sustainability topics that are most important to the company and its stakeholders. Croatia Airlines conducted its first materiality assessment in 2017 to evaluate the Company's sustainability impacts, as well as the concerns and expectations of its key stakeholders. A review of material topics was conducted in 2020.

In 2024, Croatia Airlines conducted a double materiality assessment according to the methodology of ESRS-1 and the EFRAG Materiality Guide (IG1) to refresh its material topics, taking into account recent industry developments, changing stakeholder expectations and the recovery of air traffic. Through research into relevant sustainability topics and a series of workshops, a team of specialists from different parts of the Company identified and assessed sustainability issues, describing the impact on stakeholders and the Company, the risks and opportunities, and the Company's management approach to these topics. The double materiality assessment process was supported by the list of factors in ESRS 1 AR16 to ensure that all topics covered by the ESRS standards were taken into account. Croatia Airlines also considered specific circumstances and identified topic-specific issues. The Management Board and the Board of Directors confirmed and approved the final material topics. The new list of topics does not differ significantly from the previous materiality assessments but describes them in more detail and facilitates the management of potential ESG topics.

Materiality assessment process:

Step 1 – context analysis

- Setting up of a working group of specialists from different business areas of the Company
- Introduction to the Corporate Sustainability Reporting Directive (CSRD) and comparison with the Non-Financial Reporting Directive (NFRD), according to which the Company has been

reporting up to now, and analysis of ESRS, the European Reporting Standards

- Airline benchmarking – review of key issues in the reports of other airlines (Lufthansa, SAS, Turkish Airlines, Ryanair, Air France-KLM and Korean Airlines, Singapore Airlines, Virgin Airlines, etc.)
- Review of specialist publications on the topic of sustainability factors in aviation: SASB, S&P, MSCI

Step 2 – Identification of impacts, risks and opportunities

- Organisation of internal workshops formed by the working group where impacts, risks and opportunities are identified based on internal data and knowledge (Management Report and Non-Financial Report, data from the Register of Environmental Pollution, verified report on greenhouse gas emissions, analysis of media announcements in 2023 and 2024, online passenger surveys, meetings and other communications with partners and suppliers, information from Supervisory and Audit Board meetings, etc.)
- In identifying negative impacts, the working group analysed the Company's business activities (passenger and cargo transport and aircraft maintenance), considered its business relationships with key suppliers of goods and services (aircraft lessors, airports and air traffic control, ground services and catering, spare parts suppliers, etc.), and looked at the actual and potential impacts on users of the Company's services.
- The materiality assessment, based on internal documents, considered the impacts in which the Company is involved through its own operations and, based on industry-specific publications, reports on the sustainability of stakeholders in the value chain and information obtained from business partners, also the impacts in which the Company may be involved through its business relationships.

- The impacts of business operations on employees, passengers, the local community, suppliers and the environment were also considered. Risk identification was based on the Company's existing strategic risk register and an additional analysis was conducted to identify climate risks using two scenarios: Net Zero 2050 and Existing Policies. The identification of risks considered the Company's dependencies and negative impacts.
- Impacts, risks and opportunities related to pollution, water use, impact on biodiversity and waste use have been identified based on data on water consumption and other resources, internal documents on sources of emissions and data on pollutant emissions, waste generation locations and waste generation quantities submitted to the Register of Environmental Pollution. The Company has no sites in biodiversity sensitive areas and has no negative impact on soil or endangered species. No consultation with communities has been performed as part of the double materiality assessment.
- The Company engaged external ESG experts in the process of identifying and assessing impacts, risks and opportunities. As part of its standard business practice, Croatia Airlines is in continuous dialogue with stakeholders and therefore no separate stakeholder consultation process was undertaken to identify material issues during the reporting period. Employees who have insight into stakeholder interests and views through regular communication channels participated in this process and acted as stakeholder representatives in the double materiality assessment. Based on the benchmark analysis, Croatia Airlines found the material issues to be similar or equivalent to those of other airlines.

Step 3 – Identification of impacts, risks and opportunities

- Based on the broader list of identified impacts, risks and opportunities, an assessment of severity and likelihood was carried out. At the beginning of this phase, criteria and assessment scale were defined and used by all members of the working group to assess impacts, risks and opportunities.
- Impacts were analysed according to the severity of the consequences for humans and the environment, assessing the magnitude and scope of all impacts and, for negative impacts, the irreversibility. For potential impacts, the likelihood of occurrence was also assessed. The magnitude, scope, irreparability and likelihood were assessed on a scale of 1 to 5, with all members of the working group applying the same qualitative criteria.
- The impact of risks and opportunities on the Company's financial operations was analysed and the extent of the financial impact and the probability of occurrence have been assessed. Sustainability risks have been included in the existing strategic risk register and in the regular assessment of the Company's business risks. The magnitude of the financial impact and the likelihood of occurrence have been rated on a scale of 1 to 5 based on predefined qualitative criteria.
- It is assumed that the subject-matter experts are familiar with the material impacts and risks, information from stakeholders and the financial implications for the Company, and their expertise is considered crucial in the process of assessing impacts, risks and opportunities. The assessments are the result of consultation between representatives of several areas and are agreed with the reporting process coordinator with the support of external sustainability experts.
- Financial/non-financial impacts and a separate impact on each stakeholder group were assessed at three levels: high, medium and low.

- In line with market practice, a materiality threshold of 50% on a scale of 1 to 25 was set. The report includes all sustainability factors with impacts, risks and/or opportunities that exceed the defined threshold.
- The process of identifying impacts, risks and opportunities was carried out as a separate activity within the management system (risk assessments, actions taken, analyses such as reports on emissions, waste flows, etc.).

Compliance with disclosure requirements

The Company aimed to include in the report all information that was relevant and likely to influence the decisions of related stakeholders, while omitting data points that were considered immaterial. The information disclosed on indicators for material sustainability factors was gathered by the Company based on a double materiality assessment at the subtopic level using, among others, the list from ERSR 1 AR16 and EFRAG's response to question ID 177 on the relationship between sustainability factors and indicators. The criteria of severity and likelihood were applied, as well as a materiality threshold of 12.5 points on a scale of 1 to 25 points. The list of disclosure requirements met in the preparation of the Sustainability Report, based on the results of the materiality assessment, is presented in a table of contents on pages 102-104. The list of disclosures in cross-sectoral and thematic standards resulting from other EU regulations can be found on pages 105-108.

Resilience analysis

As part of the double materiality assessment, the Sustainability Reporting Working Group assessed the resilience of the strategy and business model to the identified risks in the short (< 1 year), medium (1-5 years) and long (> 5 years) term. The analysis of climate risks considered two scenarios: a high emissions scenario and the one where the temperature increase is kept below 1.5°C. Considering the implemented risk management measures and adaptation plans (such

as the Climate Transition Plan), Croatia Airlines is considered to be in a position to adequately respond to all challenges.

Key topics impact assessment

Key Topic	Sustainability Issue	Assessment of the Impact of Key Issues					
		Financial/Non-Financial Effects		Impact on Stakeholder Groups			
		Financial Effects	Social/Environmental Effects	Employees	Service Users/General Public	Shareholders and Investors	Partners and Suppliers
Climate Change	Energy and greenhouse gas emissions management	●	●	●	●	●	●
	Climate change adaptation	●	●	●	●	●	●
Circular Economy	Waste	●	●	●	●	●	●
Own Workforce	Decent working conditions	●	●	●	●	●	●
	Employee health, safety, and well-being	●	●	●	●	●	●
	Training and career development	●	●	●	●	●	●
Local Communities	Contribution to the economy and tourism of local communities	●	●	●	●	●	●
	Local employment and skills development	●	●	●	●	●	●
	Community support	●	●	●	●	●	●
Passengers and End Users	Operational safety and user protection	●	●	●	●	●	●
	Information management	●	●	●	●	●	●
	Transportation accessibility	●	●	●	●	●	●
	Passenger and end-user satisfaction	●	●	●	●	●	●
Business Conduct	Supplier relationship management	●	●	●	●	●	●
	Corporate governance and ethics	●	●	●	●	●	●

●	High	●	Moderate	●	Low
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Description of impacts, risks and opportunities, and management of sustainability factors

Key topic	The question of sustainability	Description of impacts, risks, and opportunities	Management approach
Climate change	Energy and greenhouse gas emissions management	<p>Croatia Airlines recognizes its negative impact on climate change through CO2 emissions from its flight operations. The company's goal is to achieve carbon neutrality in air transport by 2050.</p> <p>One of the key opportunities for reducing emissions is the introduction of next-generation aircraft into the fleet, which should significantly reduce fuel consumption and CO2 emissions. Additionally, the use of sustainable aviation fuel (SAF) provides an additional opportunity to lower CO2 emissions. By reducing CO2 emissions, Croatia Airlines would also decrease the need to purchase emission allowances, the price of which is expected to rise due to the planned phase-out of free emission allowances starting in 2026.</p> <p>However, significant investment costs in a new fleet, high prices and limited availability of SAF fuel on the market, as well as additional costs associated with the development of restrictive fuel regulations for aircraft, pose considerable risks. Another risk is the rising cost of CO2 emissions, despite a reduction in the number of emission allowances, due to the expansion of the ETS system to include the maritime sector.</p>	<p>Croatia Airlines has committed to achieving decarbonization by 2050 by adopting resolutions and policies set forth by IATA and STAR Alliance in line with this long-term goal, incorporating science-based targets in its approach. As part of its Post-COVID strategy, Croatia Airlines has begun fleet renewal, replacing all aircraft with next-generation Airbus A220 models, which are more environmentally friendly due to lower fuel consumption and reduced CO2 emissions. Throughout 2024, company experts have participated in domestic and international working groups to align future business operations with evolving environmental regulations, including the EU "Fit for 55" package. On April 19, 2024, as part of a pilot project with INA, Croatia Airlines used Sustainable Aviation Fuel (SAF) for the first time, actively supporting Croatia's green transition within the aviation sector. The company holds ISO 14001 and ISO 50001 certifications for environmental management and energy/resource consumption. Additionally, Croatia Airlines systematically monitors, reports, and verifies CO2 emissions through compliance with EU ETS, CH ETS, UK ETS, and CORSIA frameworks.</p>
	Climate change adaptation	<p>The decarbonization of the aviation industry will require significant investments but also represents a major opportunity to enhance resource efficiency. Initiatives aimed at strengthening resilience to climate change open up possibilities for job creation and the adoption of low-carbon and resource-efficient alternative technologies. However, these new technologies will require substantial investments.</p> <p>Moreover, the lack of adequate measures to manage the impact of extreme weather conditions and heat stress could lead to operational disruptions, posing risks to the health and safety of both workers and passengers.</p>	
Circular economy	Waste	<p>The company's activities result in the generation of both hazardous and non-hazardous waste. Inadequate waste management can put pressure on landfills, lead to environmental pollution, and hinder efforts toward a circular economy.</p>	<p>Croatia Airlines has an established waste management system, ensuring equal attention is given to both hazardous and non-hazardous waste.</p> <p>In the Technical Services Sector, which generates the most waste, hazardous waste is separated and collected by authorized waste management companies for further processing. To reduce waste kerosene and minimize its disposal through incineration, Croatia Airlines proactively collaborates with maintenance partners to improve fuel planning for aircraft arriving for servicing. The company records all waste streams and educates staff on proper waste management practices. On Croatia Airlines flights, material usage has been reduced in line with the "Single-Use Plastics" directive, meaning fewer materials are used in passenger service, with paper cups replacing plastic ones. Additionally, Croatia Airlines complies with local waste regulations in cooperation with ground service partners at various locations.</p>
Own workforce	Decent working conditions	<p>Croatia Airlines provides employees with job security, regular working hours, and fair wages while guaranteeing the freedom of collective association, the conclusion and adherence to collective agreements, and worker consultation through the workers' council. The company also develops and reviews an action plan to promote and establish gender equality, updates internal procedures to protect employee dignity, and safeguards workers from any form of discrimination or harassment, all with the goal of ensuring equality and fostering a culture of respect for diversity.</p> <p>Decent working conditions contribute to a more motivated and productive workforce. On the other hand, inadequate assurance of such conditions can lead to the deterioration of employees' work status and rights, damage the company's reputation as a desirable employer, and result in various forms of industrial action. The greatest risks in the work environment today stem from labor market dynamics, workforce shortages, and the outflow of skilled, licensed personnel to higher-paying positions.</p>	<p>Croatia Airlines ensures decent working conditions by adhering to the applicable labor law and other relevant legal regulations related to labor and social legislation. The company also implements collective agreements and internal acts that further regulate the employment rights and status of its employees. In 2024, Croatia Airlines signed a new five-year collective agreement.</p>

Key topic	The question of sustainability	Description of impacts, risks, and opportunities	Management approach
Own workforce	Employee health, safety, and well-being	<p>If not managed properly, workplace hazards can negatively impact employees' health and well-being. Injuries and poor health related to workplace hazards lead to an increase in sick leave days and associated costs, as well as potential legal expenses, fines, and compensation claims.</p> <p>An increasing factor in employee satisfaction is the need for a balance between work and personal life.</p>	<p>Croatia Airlines has established an efficient occupational health and safety management system that includes risk assessments for all job positions, the implementation of preventive measures, monitoring of workplace injuries, and the organization and funding of mandatory medical examinations for operational staff. Under the new collective agreement, the company has also committed to covering the cost of systematic medical check-ups for all employees. The workplace safety framework is developed in accordance with legal and regulatory requirements and is further defined by the company's internal policies. Croatia Airlines is focused on employee well-being and strives, wherever possible, to implement measures that support a balance between work and personal life, as well as various employee benefits.</p>
	Training and career development	<p>By investing in the skill development of its employees, Croatia Airlines positively impacts their career growth while ensuring a competent workforce capable of executing the company's strategy and business operations.</p>	<p>Croatia Airlines regularly conducts specialized training and maintains high education standards for flight and cabin crew, as well as all other employee categories, through its training centers. Training programs are defined for various business and operational areas. Additionally, various educational initiatives are organized to expand employees' skills and enhance their knowledge. Internal job postings are conducted regularly, allowing employees to apply for open positions within the company.</p>
Local communities*	Contribution to the economy and tourism of local communities	<p>Croatia Airlines positively impacts local economies by creating jobs, purchasing goods and services from domestic suppliers, supporting tourism development, and generating business opportunities. By transporting tourists and other passengers, the airline stimulates demand in the hospitality and retail sectors, contributing to economic growth.</p> <p>Croatia Airlines has always been and will continue to be available to the Government of the Republic of Croatia for transportation needs in times of global and regional crises.</p> <p>Through these efforts, Croatia Airlines strengthens its brand and reputation within the local community.</p>	<p>Part of Croatia Airlines' strategy as the national carrier is focused on connecting the country with international destinations and maintaining year-round scheduled connectivity between regions within Croatia. To enhance domestic connectivity, the company operates under the Public Service Obligation (PSO) contract signed with the Government of the Republic of Croatia. On its flights, Croatia Airlines promotes Croatian gastronomy, culture, attractions, and destinations, while also supporting sports in Croatia.</p>
	Local employment and skills development	<p>Croatia Airlines collaborates with educational institutions in the local community to support the education and training of local residents who may seek employment with the company. Through this initiative, Croatia Airlines aims to secure and expand the talent pool for future licensed personnel, addressing the challenges posed by the high mobility and openness of the European labor market, as well as the migration of licensed professionals to stronger economic markets in Europe and beyond.</p>	<p>Croatia Airlines participates in the development of educational programs for careers in the aviation industry, with a particular focus on collaboration with educational institutions that train future pilots and aircraft mechanics. The company also provides internship opportunities for students and high school students.</p>
	Community support	<p>As part of the local community, Croatia Airlines can make a positive impact by supporting various social and humanitarian initiatives.</p>	<p>Croatia Airlines strives, either independently or in collaboration with partners, to support institutions and individuals in need of humanitarian aid, as well as organizations that carry out humanitarian projects and charitable initiatives.</p>

* Croatia Airlines recognised the sustainability issues related to the local community as specific topics for the Company. Croatia Airlines has a positive impact on the local community, which is described in more detail in the chapter Impact on the local community.

Key topic	The question of sustainability	Description of impacts, risks, and opportunities	Management approach
Passengers and end users	Operational safety and user protection	For Croatia Airlines, safety and security are the top priorities in all activities and services that directly impact passengers. Enhanced health, safety, and security standards in the aviation sector can reduce the risk of incidents and maintain stakeholder trust. However, incidents can lead to injuries, loss of life, and widespread security breaches, with significant consequences for the aviation industry. Croatia Airlines also recognizes information system security as a critical risk to operational stability and reputation. Therefore, the company systematically implements measures to minimize cyber threats and strengthen the resilience of its information systems.	Croatia Airlines has developed a Safety Management System aimed at achieving and maintaining high levels of safety performance and risk awareness among all operational personnel. An effective and efficient evaluation of safety-related experiences within Croatia Airlines, along with the dissemination of relevant information, hazard identification, and risk management, including risk assessment, has been implemented as an integral part of the Safety Management System. As a key service operator under the NIS1 Directive, Croatia Airlines systematically implements measures to reduce the risk of disruptions to information services caused by cyberattacks. Additionally, the company actively works on data protection and ensures compliance with relevant regulatory standards and industry best practices. Croatia Airlines has also introduced an integrated quality management system based on European, international, and industry regulations, covering all organizational divisions and their processes.
	Information management	Providing timely, relevant, and accurate information positively impacts the customer experience and other aspects of travel, leading to higher passenger satisfaction. The aviation sector collects and stores personal data, which introduces the risk of data theft or leakage.	Croatia Airlines has a well-developed and comprehensive customer support system, available through responsive call centers, email, online channels, and in-person assistance. Passengers receive accurate and relevant information at the right time. Additionally, a data protection system has been established in compliance with the GDPR regulation, ISO 27001 certification, and other applicable standards.
	Transportation accessibility	Services must be adapted for passengers from vulnerable categories to ensure they can use them seamlessly and equally, just like other passengers. By tailoring services to individuals from sensitive groups (e.g., persons with disabilities, individuals with reduced mobility), Croatia Airlines enhances inclusivity and promotes equality.	Croatia Airlines, in line with its commitment to social responsibility and sustainable development, ensures special care for passengers from vulnerable categories. Through tailored services for persons with disabilities, elderly passengers, pregnant women, and unaccompanied children, the company promotes inclusivity and equality in air travel.
	Passenger and end-user satisfaction	Customer satisfaction is a key factor for a company's success and longevity, making it essential for businesses to understand their customers' needs and provide products and services that meet their expectations. Offering service options (such as a well-developed flight network and additional services) and fostering a positive and personalized customer experience can enhance satisfaction and customer loyalty. On the other hand, a negative customer experience can lead to a loss of trust in the company or the aviation sector as a whole.	Croatia Airlines continuously communicates with customers through various communication channels, regularly measures customer satisfaction, and strives to improve services by actively accepting feedback.
Business conduct	Supplier relationship management	Croatia Airlines influences suppliers by generating demand for various services and products in passenger air transport, aircraft maintenance, sales, customer service, and workforce management. Positive relationships with suppliers can stimulate local economies, while fair procurement practices, timely payments, and fostering sustainable partnerships contribute to the company's business success. A key risk lies in the monopolistic positions of certain suppliers in specific markets, which, in cases of unsatisfactory service quality, can result in unexpected additional costs.	Croatia Airlines has defined Procurement Procedures for flight and ground operations, Procurement Procedures for aircraft maintenance needs, and a Procurement Rulebook. All internal procurement procedures largely incorporate the principles and recommendations for conducting public procurement. Croatia Airlines implements "green and sustainable procurement" whenever applicable to the market situation, in accordance with the company's Environmental Protection and Energy Efficiency Manual. The company also ensures fair contract terms and timely payments to suppliers.
	Corporate governance and ethics	Strong corporate governance and business ethics practices provide a foundation for informed decision-making, building stakeholder trust. If not managed properly, they can lead to serious ethical concerns, negatively impacting the company's reputation. Aviation companies may be vulnerable to corruption due to complex procurement processes and regulatory interactions. A lack of transparency in contract awarding can undermine public trust, compromise safety, and hinder fair market competition. To address these risks, Croatia Airlines has established an internal whistleblowing mechanism, protective measures for potential whistleblowers, and trained personnel responsible for receiving and processing reports. This system ensures whistleblower protection and increases the likelihood that serious violations of regulations, policies, or codes of conduct are reported and resolved in a timely manner.	Croatia Airlines applies the Corporate Governance Code jointly developed by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange, as well as the Corporate Governance Code for companies in which the Republic of Croatia holds shares or stakes, adopted by the Government of the Republic of Croatia. The company is committed to a zero-tolerance policy on corruption; therefore, Croatia Airlines has implemented an Anti-Corruption Program and enforces strict anti-corruption measures and oversight to mitigate risks associated with corruption.

Environmental responsibility



Š. Lugarov

EU taxonomy

The EU Taxonomy Regulation is an EU classification system that defines criteria for environmentally sustainable activities. It provides clear definitions of sustainability for companies and investors, enabling them to identify economic activities that are in line with the EU's sustainability objectives, thereby helping to increase sustainable investment and improve the implementation of the European Green Deal. All companies required to report on sustainability under the Accounting Act must also include taxonomic performance indicators in their reports.

The Delegated Acts of the EU Taxonomy Regulation define taxonomically eligible activities which, if they meet the compliance criteria, can be considered sustainable. The November 2023 amendment to the Climate Delegated Act added aviation activities to the list of eligible activities.

Eligibility analysis

The two main activities of Croatia Airlines d.d. are air transport of passengers and cargo, and aircraft maintenance. The Sustainability Reporting Working Group, which includes representatives from the Finance and Accounting and Controlling departments and the Fuel Procurement and Sustainable Development organisational unit, conducted an eligibility analysis based on a review of the sectoral reporting practices and an analysis of descriptions of taxonomically acceptable activities. Based on this, it was concluded that Croatia Airlines performed two taxonomically acceptable activities.

Eligibility analysis conclusions

Activity	Description	Explanation
CCM 6.19. Air transport of passengers and cargo	Procurement, financing, and management of aircraft, including the transport of passengers and goods. This economic activity does not include aircraft leasing as per section 6.18.	Croatia Airlines is the national air carrier whose main activity is the air transport of passengers and cargo.
CCM 3.21. Aircraft manufacturing	Manufacturing, repair, maintenance, overhaul, retrofit, design, conversion, and upgrading of aircraft and aircraft parts and equipment.	The Croatia Airlines Technical Center provides various services in the field of base and line maintenance, engineering services, and technical and logistical support to other companies.

Compliance analysis

For eligible activities, it was analysed whether they met the technical verification criteria of the Climate Change Act, whether they had a negative impact on other environmental objectives and whether the minimum safeguards were met.

For the activity of aircraft production (i.e. maintenance) for third parties, it was found that aircraft under maintenance did not meet the criteria set out in the EU taxonomy and therefore this activity was considered non-compliant. For the activity of air transport of passengers and cargo, an analysis of the certified emission value and size of each aircraft was carried out and it was found that 86% of the fleet aircraft met the technical verification criteria related to the permitted emission values and the DNSH criteria related to waste management, pollution prevention and climate risk management. As the activity did not meet the criterion to be carried out on aircraft with zero emissions at the point of release, it was considered transitional.

Croatia Airlines respects human and labour rights in accordance with the laws of the Republic of Croatia and the EU and international instruments such as the International Labour Organization Conventions, the UN Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

- Croatia Airlines respects the freedom of association and actively engages in collective bargaining.
- There is a system in place to protect health and safety at work, and decent working conditions are provided.
- Measures against discrimination are implemented, and there is also a complaints procedure to safeguard the dignity of workers.
- There is zero tolerance for forced labour and child labour.
- Measures to protect consumer rights, including privacy, are implemented.
- A safety management system is in place.
- Measures for environmental protection, energy efficiency, and reduction of greenhouse gas emissions are applied.

There were no sanctions, fines or infringements related to human rights or the environment during the reporting period. Croatia Airlines complies with the minimum safety standards.

Calculation of key performance indicators

Revenue from Taxonomy-aligned activities, CapEx and OpEx was calculated based on the requirements of the Delegated Regulation on disclosures.

Revenue

Croatia Airlines generates Taxonomy-eligible revenue from passenger and cargo transport and aircraft maintenance for third parties. Revenue generated by aircraft meeting the Taxonomy criteria is considered compliant. Total revenue in 2024 was EUR 255 million, of which EUR 245 million was generated from passenger and cargo transport and EUR 4.8 million from aircraft maintenance for third parties. Aircraft meeting the technical verification criteria generated 72% of the total revenue and 75% of the revenue from passenger and cargo transport. Revenue is allocated to aligned and non-aligned activities based on route analysis. The non-aligned activities such as training, advertising, etc. accounted for 2% of total revenue.

The denominator of the KPI revenue refers to the total sales revenue (net revenue) in accordance with IAS 1. Total net revenue is presented in the financial statements under item Business Revenue in the report and the accounting policies for its calculation are set out in note 4., 5. and 6. on page 35. and 36. The numerator for activity 3.21. includes the amount of work (maintenance) performed for third parties. The numerator for activity 6.19. includes revenue from passenger and freight transport. Revenue from the aligned activity was obtained by reducing the denominator by the amount of work performed for third parties and by revenue from transport performed by aircraft which did not meet the technical inspection criteria, as determined by the route analysis of the Controlling Department.

Share of revenue from products or services associated with economic activities aligned with the taxonomy – disclosure for the year 2024

Financial year	2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm") (8)						Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transition activity (20)
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)				
Text		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Air transport of passengers and cargo	CCM 6.19.	182.577.371	72%	D						Y	Y	Y	Y	Y	Y	Y	0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		182.577.371	72%	72%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		0	0%	0%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		182.577.371	72%	72%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Air transport of passengers and cargo	CCM 6.19.	61.400.921	24%	EL													0%		
Aircraft manufacturing	CCM 3.21.	4.733.528	2%	EL	EL			EL									0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		66.134.450	26%	26%	%	%	%	%	%								0%		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		248.711.821	98%	98%	%	%	%	%	%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		6.133.504	2%																
TOTAL		254.845.325	100 %																

CapEx

Eligible investments refer to capital expenditures that increase the value of owned and leased assets and purchase that enable the activity to be carried out without being directly related to aircraft (e.g. software). For activity 3.21 Aircraft production (maintenance), no capital investments were made during the reporting period. Long-term leases that resulted in the recognition of right-of-use assets and related depreciation and interest were included in CapEx. Aligned capital investments concern aircraft leases that met the technical screening criteria, while those non-aligned concern aircraft that did not meet the criteria. In 2024, a total of EUR 89 million were invested, of which 86 per cent were invested in aircraft that met the technical screening criteria and 14 per cent in aircraft that were not Taxonomy-aligned. The denominator includes the increase in property, plant and equipment and intangible assets during the financial year, before depreciation and revaluation, including increases

resulting from revaluation and impairment, for the relevant financial year and excluding changes in fair value. The denominator includes both tangible and intangible assets resulting from business combinations. Capital expenditure of non-financial corporations applying International Financial Reporting Standards (IFRS) as adopted by Regulation (EC) No 1126/2008 includes costs accounted for under: (a) IAS 16, (b) IAS 38, (c) IAS 40, (d) IAS 40, (e) IAS 41 and (f) IFRS 16 Leases. Leases that result in the recognition of a right-of-use asset are accounted for as capital expenditure. Capital expenditure is disclosed in the financial statements on page 42. 61. and 64. and in the accounting policies in note 12., 13. and 31. The numerator includes capital expenditure that meets the matching criteria. Capital expenditure that is not directly related to aircraft (e.g. software) is allocated to aircraft using a revenue key (the allocation of revenue to aircraft is determined based on route analysis).

Share of revenue from products or services associated with economic activities aligned with the taxonomy – disclosure for the year 2024

Financial year N		2024		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category enabling activity (19)	Category transition al activity (20)
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy(9)	Biodiversity(10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)								
Text		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T				
A.TAXONOMY-ELIGIBLE ACTIVITIES																							
A.1.Environmentally sustainable activities (Taxonomy-aligned)																							
Air transport of passengers and cargo	CCM 6.19.	77.090.286	87%	D						Y	Y	Y	Y	Y	Y	Y	0%						
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		77.090.286	87%	87%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	0%						
Of which enabling		0	0%	0%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	0%	E					
Of which transitional		84.251.754	95%	95%						Y	Y	Y	Y	Y	Y	Y	0%		T				
A.2.Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																							
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL														
Air transport of passengers and cargo	CCM 6.19.	12.028.978	13%	EL													0%						
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		12.028.978	13%	13%	%	%	%	%	%								0%						
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		89.119.264	100%	100%	%	%	%	%	%								0%						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																							
CapEx of Taxonomy-non-eligible activities		0	0%																				
TOTAL		54.242.654	100 %																				

OpEx

The denominator of OpEx is narrower than the usual definition of operating expenses. OpEx includes direct non-capitalised costs related to research and development, building renovations, short-term rentals, maintenance and repairs, and all other direct expenses for the day-to-day servicing of property, plant and equipment incurred by the Company or by a third party to whom these tasks are delegated and which are necessary for the proper functioning of these assets. Notes to the calculation of operating expenses are given in the Financial Statement on page 37. Taxonomy-aligned expenses are those related to aircraft that meet the technical inspection criteria, and for expenses that are not directly related to aircraft but are part of the business activities, an allocation is made between aligned and non-aligned activities according to the revenue key. Taxonomy-eligible OpEx includes:

- Costs of maintaining own aircraft (consumables, anti- and de-icing, cleaning, etc.)
- Technical support for own aircraft
- Short-term aircraft lease
- Costs of maintaining IT and ITC equipment
- Costs of maintenance personnel salaries and other related costs
- Renovation of own buildings that do not lead to an increase in the value of the asset.

The total OpEx from Taxonomy-aligned activities was EUR 54 million, with all operating costs related to the passenger and freight transport activity (6.19) and 63% considered Taxonomy-aligned. Costs related to aircraft maintenance for third parties (activity 3.21) were not considered as operating costs in the EU Taxonomy.

Operating maintenance costs are related to aircraft, on the basis of which

Share of operating expenses from products or services associated with economic activities aligned with the taxonomy – disclosure for the year 2024

Financial year N	2024			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx, year N-1 (18)	Category enabling activity (19)	Category transition activity (20)
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)						%	E	T
Text		Currency	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N					%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																							
A.1. Environmentally sustainable activities (Taxonomy-aligned)																							
Transport of goods and passengers	CCM 6.19.	34.220.571	63%	D						Y	Y	Y	Y	Y	Y	Y				0%			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		34.220.571	63%	63%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y				0%			
Of which enabling		0	0%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y				0%	E		
Of which transitional		34.220.571	63%	63%						Y	Y	Y	Y	Y	Y	Y				0%			T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																							
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL														
Transport of goods and passengers	CCM 6.19.	20.022.082	37%	EL																0%			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		20.022.082	37%	37%	%	%	%	%	%											0%			
A.OpEx of Taxonomy eligible activities (A.1+A.2)		54.242.654	100%	100%	%	%	%	%	%											0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																							
OpEx of Taxonomy-non-eligible activities		0	0%																				
TOTAL		54.242.654	100%																				

a division into Taxonomy-aligned and non-aligned activities was made, and other costs not directly related to aircraft were allocated according to the revenue.

In the previous reporting period, aviation activities were not included in the list of eligible activities and therefore all KPIs were zero. The following table shows the shares of Taxonomy-eligible and aligned activities according to environmental objectives.

Eligibility and alignment with environmental objectives

	Share of revenue / total revenue		Share of capital expenditures / total capital expenditures		Share of operating expenses / total operating expenses	
	Aligned with the taxonomy by objective	Taxonomy-eligible by objective	Aligned with the taxonomy by objective	Taxonomy-eligible by objective	Aligned with the taxonomy by objective	Taxonomy-eligible by objective
CCM	72%	98%	86%	100%	63%	100%
CCA	0	0	0	0	0	0
WTR	0	0	0	0	0	0
CE	0	0	0	0	0	0
PPC	0	0	0	0	0	0
BIO	0	0	0	0	0	0

Declaration on activities related to nuclear energy and fossil fuels

Croatia Airlines does not carry out any activities related to nuclear energy or fossil fuels, does not finance them and is not exposed to them.

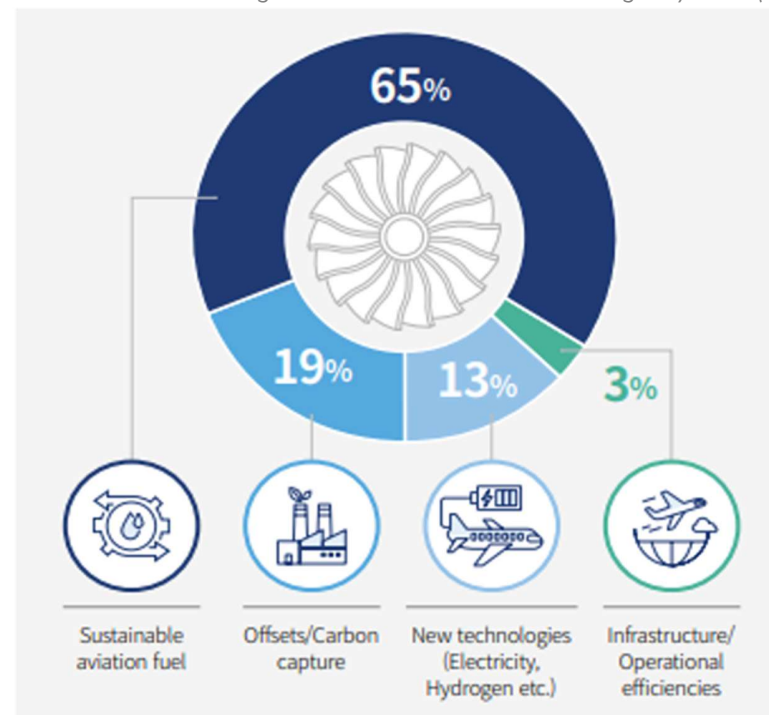
Climate change mitigation and adaptation ⁹

The 2015 Paris Agreement on climate change set a strategic goal of limiting global warming to well below 2°C above pre-industrial levels, with further efforts to limit the temperature increase to 1.5°C. In line with this goal, various sectors, including the aviation industry, which is officially estimated to contribute around 2.5 per cent of global CO₂ emissions, must take responsibility for reducing their greenhouse gas emissions.

At the 77th IATA General Assembly held in Boston, USA, on 4 October 2021, a resolution was adopted committing IATA to achieving net zero carbon emissions from its operations by 2050. This aligns the air transport industry with efforts to support the temperature goal of the Paris Agreement. The following will contribute to achieving this science-based net zero emissions goal:

- The use of sustainable aviation fuel (SAF) at a rate of 65%
- The use of new technologies at a rate of 13% (new aircraft, electric power, hydrogen)
- Carbon neutralisation/storage at a rate of 19%
- Improvements in infrastructure and operations at a rate of 3% (operational excellence).

Contribution to achieving the net zero carbon emissions target by 2050 (IATA)



⁹ The topics of climate change mitigation and adaptation are closely linked and the policies, measures and objectives related to impacts and risks within these topics overlap. This is why they are presented together.

Risks related to climate change

In identifying and assessing climate change risks, Croatia Airlines considered two scientifically based climate scenarios developed by NGFS (Network for Greening the Financial System):

- Transition to a low-carbon economy by 2050 (Net Zero 2050)
- Current policy scenario.

These are two contrasting scenarios. In the Net Zero 2050 scenario, the most important risks are those of the transition to a low-carbon economy, which may result from higher emissions costs and changes in business and consumer preferences. Physical risks are also present, but they would be minimised as this scenario limits the increase in global warming to 1.5°C. The current policy scenario assumes that while many countries have begun to implement climate policies, they are not yet sufficient to meet science-based targets and international commitments. In this scenario, if no further action is taken, warming of 3°C or more could occur by 2100. This would likely lead to a deterioration of living conditions in many parts of the world and cause irreversible impacts such as rising sea levels. Physical risks to the economy could arise from disruptions to ecosystems, health, infrastructure and supply chains. In this scenario, transition risks are reduced, but physical climate risks increase significantly.

As part of a global and difficult-to-decarbonise industry, airlines are vulnerable to climate-related risks such as extreme weather conditions and transition risks related to the impact of fuel costs due to high Sustainable Aviation Fuel (SAF) prices, high unit prices for emission allowances and levies on fossil fuels. This should include the risk of sourcing sustainable fuels. Identifying and understanding these risks and their potential impact on Croatia Airlines' operations is an important part of designing an overall climate strategy in response to the ever-changing climate impacts.

In 2024, Croatia Airlines analysed for the first time the risks and opportunities associated with climate change through a qualitative analysis of transition and physical risks. Risks arising from the transition to a low-carbon economy, including policy and legislation, technology, market and reputation, can affect the Company's business activities.



Physical climate risks

The aviation industry is facing growing challenges related to physical climate risks, which can have a significant impact on safety, operational efficiency and financial stability. Extreme weather events such as floods, storms and wildfires are becoming more frequent and intense due to climate change, increasing the risks to aviation operations and infrastructure.

Floods can interfere with airport operations, disrupt landings and take-offs, and damage critical infrastructure, including connected

transportation networks such as roads. Storms with severe winds, turbulence and reduced visibility increase operational risks to aircraft and safety on the ground, sometimes requiring temporary evacuation of passengers or suspension of operations.

Wildfires, which are common near coastal airports, can cause reduced visibility, poor air quality and unsafe conditions for personnel.

PHYSICAL RISKS

Type of Risk	Description of Risk	Potential Financial and Operational Impacts	Response to Risk	Period of impact
Physical risks – acute	<p>Risk of extreme weather events such as:</p> <ul style="list-style-type: none"> Floods (can affect landing capability, damage locations and infrastructure, including connecting transport infrastructure such as roads) Storms (aircraft are sensitive to turbulence, wind, and low visibility) Wildfires (due to high temperatures, wildfires near coastal airports can reduce visibility for takeoff and landing, create unsafe working conditions for ground staff due to poor air quality, and potentially lead to evacuations) 	<ul style="list-style-type: none"> Reduced or disrupted flights (delays and cancellations), which may impact revenue and operational costs Increased inconvenience for passengers and disruptions to their travel plans, affecting reputation Changes in passenger preferences due to rising average temperatures in the Mediterranean, potentially leading to the selection of alternative destinations Increased fuel consumption Safety concerns – increased turbulence or health and safety issues for ground staff due to more days of extreme heat Network disruptions and loss of access to airports, critical infrastructure, and supply chains Possible aircraft damage, leading to higher maintenance or repair costs Increased insurance premiums 	<ul style="list-style-type: none"> Implementation of crisis management and emergency response activities in accordance with the defined ERCM organization (Emergency Response Crisis Management) Adjustment of flight network Ability to land at alternative airports 	Short-term, Medium-term, Long-term
Physical risks – chronic	<p>Long-term changes and increased variability in weather patterns:</p> <ul style="list-style-type: none"> Wind (changes in wind patterns and intensity can affect the use of runways) Heat (can impact aircraft performance, as extreme temperatures require more power for takeoff, increasing fuel burn rate) Sea level rise (rising sea levels could lead to the loss of airport capacity in coastal areas, causing network disruptions or airport closures, and potentially affecting ground transportation links to airports) Drought (drought conditions may lead to water restrictions, requiring the implementation of water-saving practices and technologies) 	<ul style="list-style-type: none"> Increased fuel consumption Safety concerns – increased turbulence or health and safety issues for ground staff due to more days of extreme heat Network disruptions and loss of access to airports, critical infrastructure, and supply chains Possible aircraft damage, leading to higher maintenance or repair costs Increased insurance premiums 	<ul style="list-style-type: none"> Diversification of routes Cooperation with airports and relevant airport authorities within our network in defining contingency plans and preparedness exercises 	Long-term

Understanding and managing these risks is essential to ensure the Company's resilience and adaptation to climate change in a dynamic business environment.

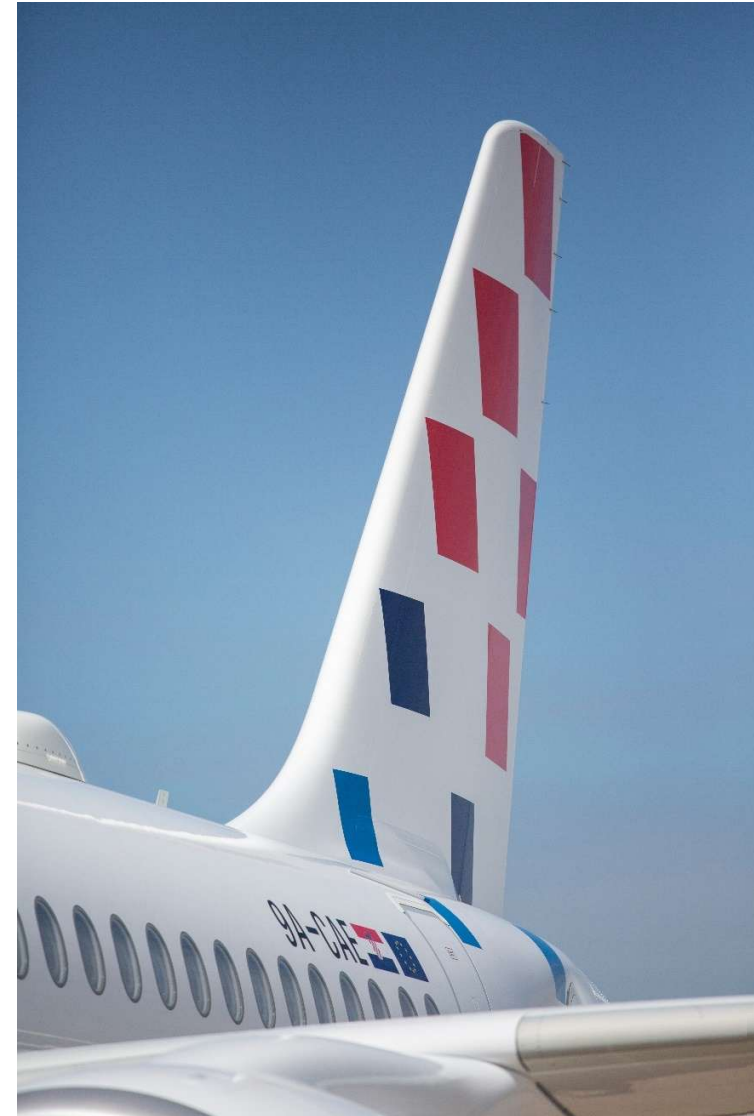
Croatia Airlines relies on other stakeholders in the air transport sector and cannot fully achieve resilience to physical climate risks that may affect its business on its own. These risks include, for example, the impact of climate change on airport infrastructure and air route conditions. Therefore, the strategic resilience and adaptability of Croatia Airlines' business model largely depends on efficient cooperation and coordination with key stakeholders such as airports, air control service providers and regulatory bodies.

Using airport infrastructure in a more sustainable way is an important part of reducing the overall environmental impact of aircraft handling. Airports have a key role to play in implementing sustainable practices such as the use of renewable energy sources, the optimisation of infrastructure and the introduction of emission reduction technologies. Croatia Airlines needs to build on these initiatives while developing its own strategies to reduce emissions, such as fleet optimisation and the use of sustainable fuels.

During a flight, en-route conditions and the specifics of the route, which are monitored by the air traffic control stakeholders, also have a significant impact on the environment. In this context, airspace efficiency is crucial for reducing emissions and increasing operational resilience, together with shortening routes, reducing congestion and optimising flights.

The resilience of airline strategies can only be ensured through synergistic cooperation between airlines, including Croatia Airlines, air traffic controllers and airports. The long-term sustainability of the business model requires the alignment of operational objectives with industry-wide climate strategies, continuous risk assessment and investment in innovative technologies that enable adaptation to the

increasingly challenging dynamics of climate conditions and regulatory frameworks.



Š. Lugarov

Transitional climate risks

The transition to a low-carbon economy is a global challenge, and failure to meet the targets set in the Paris Agreement and the EU Green Deal would have a significant negative impact on Croatia Airlines' business results. The risks of the global transition to a low-carbon economy were identified and assessed in order to manage them as effectively as possible. The EU has committed to an ambitious vision of making Europe

the first climate-neutral continent by 2050, with the aim of reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels.

Reducing CO₂ emissions in the aviation sector is associated with many risks arising from the complex nature of the industry, technological limitations, market conditions and the regulatory framework.

TRANSITION RISKS

Type of Risk	Description of Risk	Potential Financial and Operational Impacts	Response to Risk	Period of impact
Market-related	Increase in greenhouse gas emission prices	<ul style="list-style-type: none"> • Increase in costs due to rising prices of emission units • Reduction in the number of free emission units from 2024, with their complete removal by 2026 	<ul style="list-style-type: none"> • Reduction of fuel consumption and emission units by investing in a new-generation fleet (replacement of the existing fleet with new Airbus A220 aircraft) • Monitoring regulatory requirements • Monitoring the greenhouse gas emissions market to assess the optimal timing for purchasing emissions 	Short-term, Medium-term
	SAF fuel market	<ul style="list-style-type: none"> • Limited availability of SAF fuel (current production is less than 1% of the global annual demand for jet fuel) • Commercially unsustainable high prices of SAF fuel, which will increase fuel costs • Demand pressures may further raise prices due to a competitive environment and potential regulations and mandates for a higher share of SAF fuel usage 	<ul style="list-style-type: none"> • Monitoring regulatory requirements related to the use of SAF fuel • Communication and collaboration with SAF fuel suppliers to prepare for compliance with legal obligations for SAF fuel implementation from 2025, in accordance with the ReFuel regulation (EU) 2023/2405 	Short-term, Medium-term
Political-legal	Greater political focus on rail transport in Europe	<ul style="list-style-type: none"> • Reduced competitiveness of air transport due to increased political focus on more sustainable transport modes in Europe, such as rail, which may lead to a decrease in passenger numbers and revenue 	<ul style="list-style-type: none"> • Monitoring EU policies related to the transport industry • Cooperation with railway and maritime transport providers • Identifying and activating new business opportunities within the alliance 	Short-term, Medium-term
	Risk of stricter regulatory measures related to decarbonization	<ul style="list-style-type: none"> • Potential additional fuel tax • Increased costs due to the "Fit for 55" package 	<ul style="list-style-type: none"> • Monitoring regulatory requirements • Collaboration with industry associations to advocate for solutions for decarbonizing the industry and a global approach to addressing greenhouse gas emissions from international aviation 	Short-term, Medium-term
Reputational risk	Risk arising from the negative public and passenger perception of air transport as an industry that is difficult to decarbonize	<ul style="list-style-type: none"> • Passengers may opt for alternative modes of transport, leading to a decline in passenger numbers and revenue 	<ul style="list-style-type: none"> • Monitoring media reports on aviation and climate-related topics to promptly identify potential reputational risks • Analysis of opportunities for voluntary CO₂ reduction by passengers • Defined waste management policies and their implementation • Sustainability reporting based on ESRS standards 	Medium-term
Technological	Application of sustainable/green technologies in the aviation industry (e.g., electric or hydrogen-powered aircraft, which are still in the research phase at the global aviation industry level)	<ul style="list-style-type: none"> • Significant increase in capital investments • Long adaptation period • Potential access to cheaper financing for green technologies 	<ul style="list-style-type: none"> • In the short- and medium-term, this risk is not relevant for Croatia Airlines, and responses to this potential long-term risk are currently not a focus of the company 	Long-term

The risks that may slow down decarbonisation and jeopardise the achievement of climate neutrality goals for the aviation industry, and in particular for small airlines, by 2050:

○ *Limited availability of sustainable aviation fuel (SAF) (SAF)*

SAF is considered to be the key to reducing aviation emissions as it allows for significant emission reductions without requiring radical changes to existing aircraft and infrastructure systems. However:

- SAF production capacity is far below the required level.
- High costs and limited availability of raw materials are slowing down mass adoption.
- Inadequate infrastructure for SAF distribution poses a logistical challenge, especially in regional and less developed markets.

○ *Limitations of advanced technologies*

Technological development plays a key role in decarbonisation, but advanced technologies are facing challenges:

- Electric and hydrogen propulsion: While electric and hydrogen aircraft promise zero emissions in flight, their use is currently limited to small aircraft and short flights. Technology and infrastructure solutions for larger aircraft and longer flights are still far from commercial implementation.
- Aerodynamic innovations: Despite advances in aircraft design, such as ultra-efficient wings or new propulsion systems, their development and application require time and significant investment.

○ *High cost of decarbonisation*

- The transition to sustainable technologies and fuels is associated with high capital costs.
- The operational costs of using SAF or new technologies are currently significantly higher than conventional options, which may limit the financial viability of many airlines, especially after the crisis caused by the COVID-19 pandemic.

- The lack of globally aligned financial incentives or subsidies further complicates decarbonisation.

○ *Regulatory and policy challenges*

- Non-harmonised policies: Global aviation requires aligned policies and regulatory frameworks. Differences in approaches between regions (e.g. the European Green Deal versus regulations in other regions) create uncertainty and can lead to unfair competition.
- Regulatory delays: the slow process of passing and implementing legislation can slow down decarbonisation, such as SAF blending obligations, the introduction of emissions trading schemes or the introduction of emissions fees.
- Geopolitical tensions: dependence on international cooperation can be jeopardised by geopolitical conflicts, limiting the effectiveness of global initiatives.

○ *Growing demand for air transport*

The airline industry is anticipating significant growth in demand for air travel, particularly in emerging markets. This could offset the benefits of decarbonisation measures because:

- More frequent flights lead to higher overall emissions, even with increased efficiency.
- The development of sustainable tourism and logistics is often not in harmony with emissions reduction targets.

○ *Limited public and sectoral support*

- Consumer resistance to increased costs: Increased ticket costs due to decarbonisation measures may be resisted by passengers, particularly in price-sensitive markets.
- Inadequate industry investment: Airlines operating on low profit margins often lack sufficient capital to make significant investments in decarbonisation.

- *Unpredictable external factors*
 - Economic recessions may limit the industry's ability to invest in decarbonisation.
 - Natural disasters and pandemics may shift the focus from long-term sustainability goals to short-term survival.
 - The development of alternative modes of transport (e.g. high speed trains) may limit funding and political support to the aviation industry.

Croatia Airlines' resilience strategy is based on adjusting operations, investing in sustainable technologies and strengthening cooperation with key stakeholders. Operationally, the company is focused on modernising its fleet by introducing new generation aircraft, thus reducing greenhouse gas emissions and fuel costs. At the same time, continuous monitoring of regulatory requirements and the carbon market aims to respond to changes in a timely manner and optimise financial performance. The Company recognises the importance of developing long-term plans to manage the risks associated with sustainable fuels (SAF), with collaboration with suppliers and monitoring of legislative changes being an important part of this effort. At the level of reputation and market perception, the strategy includes transparent reporting on business sustainability and research into initiatives to reduce emissions and manage waste.

The Company is also looking into ways to better communicate with passengers to boost their environmental awareness and support of sustainable practices. Overall, Croatia Airlines' resilience strategy is focused on achieving sustainable operations, optimising costs and adapting to market and environmental conditions in the long term, in synergy with industry and regulatory partners.

In order to minimise the impact of the mentioned transition risks on its business activities, Croatia Airlines is adopting a climate transition plan with the aim of reducing its CO₂ emissions and adapting its operations to the transition to a low-carbon economy.



Š. Lugačević

Transition plan

Croatia Airlines is aware of its influence and responsibility in reducing greenhouse gas emissions and is actively contributing to the collective efforts of the aviation sector through the implementation of sustainable strategies and technologies aimed at achieving climate targets. In order to document the transition from a carbon economy to a low-carbon economy, the Company has been developing a transition plan that includes the key elements related to its environmental impact for the period from 2025 to 2030. It is expected to be adopted by the Management Board and the Supervisory Board in the next reporting period and integrated into the overall strategy and financial planning.

Croatia Airlines has identified specific priorities for reducing emissions, based on the following decarbonisation levers:

- Fleet renewal with new-engine-technology aircraft
- Sustainable aviation fuels and synthetic fuels with low emissions
- Participation in emissions trading and compensation systems
- Optimisation of flight procedures and other activities aimed at reducing fuel consumption

tCO₂e emission reduction targets

	Reference year 2022	Goal 2030
GHG intensity (tCO ₂ e/pass.km)	100	70
Total planned reduction		-30%

The target of reducing GHG intensity (tCO₂e per passenger-km) by 30% by 2030 compared to the base year will be achieved through fleet renewal and the planned use of SAF.

The year 2022 was chosen as the base year, as this is the year when air traffic started to normalise compared to the pandemic years 2020 and 2021, and represents the reference year of operations.

Given the significant changes and challenges in the process of greening the aviation industry in Europe, the Company is currently not in a position to define concrete decarbonisation targets for 2050. The current strategies focus on the Company's plans up to 2030. In the future, as technologies and the regulatory framework evolve, Croatia Airlines plans to consider the possibility of setting decarbonisation targets for the period up to 2050.

Contextual information

In setting its targets, Croatia Airlines has considered strategic plans for the period up to 2030, which focus on increasing capacity, fleet development and planned flights.

In the period from 2024 to 2027, the entire fleet will be converted from A319/320 and Dash 8 Q400 to A220. In 2028, Croatia Airlines should have a fully unified fleet of 15 A220 aircraft, in accordance with its Post-COVID Strategy as a strategic document of the highest hierarchy, and in accordance with its Environmental Protection and Energy Efficiency Policy, which provides for regular measurement of resource consumption indicators and environmental impact, as well as actions to reduce them.

Based on the projected block time (in BH) in the period 2025-2030, Croatia Airlines plans to increase total fuel consumption from 68.5 thousand tonnes in 2025 to 81.7 thousand tonnes of fuel per year from 2028. The main reason for the increase in fuel consumption, despite the fleet transition to new generation aircraft, is the increase in the number of aircraft units by 4 units in 2027 compared to 2023.

In line with its business sustainability objective, Croatia Airlines plans to expand its operations in the coming period to meet the needs of the growing market and improve passenger services, and capacity growth is planned accordingly. The latter will also lead to an increase in fuel consumption and related direct CO₂ emissions (Scope 1) in the period 2025-2028, after which the growth in direct emissions would stop.

Overview of projected aircraft emissions CO₂ (t)- Scope 1 - direct emissions

Scope 1 - Direct emissions	2025	2026	2027	2028	2029	2030
Fuel consumption (t)	68,511	69,385	78,554	81,703	81,703	81,703
CO ₂ emissions (t)	216,496	219,256	248,231	258,182	258,182	258,182

Aware of the importance and impact of its business on the environment, the company is embarking on a new development cycle to reduce its environmental impact despite the growth in capacity. It is replacing its entire existing fleet with new, more environmentally friendly aircraft that use 25 per cent less fuel per seat.



Š. Lugačević

Policy

As the national carrier of the Republic of Croatia, in 2017 Croatia Airlines introduced its Environmental Protection and Energy Efficiency Policy, confirming its commitment to sustainable development. As a company providing air transport services for passengers, cargo and mail, aircraft maintenance and professional training of aviation personnel, the Company is aware of the significant impact of its operations on the environment. Therefore, it is constantly striving to manage its business objectives and risks by taking into account environmental protection and improving energy efficiency. Within the framework of the ISO 14001 and ISO 50001 standards, it has identified its headquarters in Buzin and the Technical Operations Department at Zagreb International Airport as the two locations with the most intensive impact on environmental protection and energy efficiency.

These are the priorities of Croatia Airlines in the area of environmental protection and energy efficiency:

- To operate in accordance with applicable legislation, standards and other requirements that contribute to the preservation of the environment and the improvement of energy efficiency
- To apply and introduce new technologies with the optimal use of raw materials and energy
- To implement measures for the continuous improvement of energy efficiency and to purchase energy efficient products and services
- To ensure the continuous availability of human, technological and financial resources, as well as information necessary for the achievement of general and specific goals
- To continuously monitor and reduce greenhouse gas emissions
- To manage waste through prevention, separate collection, recycling and disposal of different types of waste

- To provide continuous training to employees to increase awareness of effective environmental protection and improvement of energy efficiency
- To continuously improve business and technological processes with the ultimate goal of boosting the environmental protection and energy efficiency management system, reducing environmental impact and improving working conditions for employees.

The management of Croatia Airlines is committed to regularly reviewing and continuously improving its environmental and energy efficiency performance and targets. It is the responsibility of all managers to encourage and support any initiative that leads to the improvement of environmental protection and energy efficiency. At the same time, it is the responsibility of every employee to actively participate in the implementation of related activities.

Croatia Airlines firmly believes that by respecting the principles of this policy, it will reduce its impact on the environment and natural resources, thus fulfilling its promise to future generations. The Environmental and Energy Efficiency Policy is published on the Company intranet and is available to all employees.

Sustainability in all flight segments



CARBON FOOTPRINT - Our flights can be accessed by public transport, by which we are reducing flight carbon footprint left by the passengers.

Croatia Airlines strives to operate as a socially responsible company, taking into account the by-products of its operations and their impact on both the environment and the community.



WATER MANAGEMENT -
The carrying of as little as 50% of lavatory water is prescribed for Airbus flights, by which we are reducing emissions by 40 t of CO₂/year/aircraft



WEIGHT MANAGEMENT -
By using an EFB (Electronic Flight Bag) device we have reduced the need for carrying 35 kg of paper documents per aircraft



WEIGHT MANAGEMENT -
By redesigning the cabin on the Airbus fleet we have increased the number of available seats from 132 to 144, and from 162 to 174, and also decreased the aircraft weight by some 200 kg, reduced the amount of CO₂ emissions per passenger, and increased comfort



FUEL MANAGEMENT - we are introducing single engine taxiing by the Dash8 Q400 fleet at airports enabling this, in 60% of cases, by which we are reducing fuel consumption and engine wear



PROCESS MANAGEMENT - web check-in saves time and reduces the need for paper documents (printouts)

 CO_2

CO₂ MANAGEMENT - The Company compensates CO₂ through the EU ETS and related systems (CH ETS) and will be doing so in future through CORSIA and UK ETS; data is collected for each flight, then verified and delivered to relevant bodies



COOPERATION -
We cooperate with regulatory bodies and interested parties such as educational institutions and individuals to share information and experience in the field of environmental protection and energy



COOPERATION -
We cooperate with regulatory bodies and interested parties such as educational institutions and individuals to share information and experience in the field of environmental protection and energy



FUEL MANAGEMENT -
By using advanced flight planning systems (LIDO), we are optimising our flights in view of fuel consumption



WASTE MANAGEMENT - when performing aircraft maintenance activities at our technical base, responsible waste disposal approach is applied



PROMOTION - Croatia's beautiful nature, which we are doing our best to preserve, is promoted on our flights



NOISE MANAGEMENT - all of our aircraft comply with the Chapter IV standards for aircraft noise; changes made on Airbus aircraft in 2019 enabled us to exceed these standards

Decarbonisation measures

Fleet renewal with aircraft with new engine technology

Driven by the goal of sustainability and aware of its responsibility towards the environment, Croatia Airlines is planning an important step in its development by renewing its fleet with aircraft with new engine technology, which will enable it to expand its operations while reducing its negative impact on the environment.

To meet this challenge and maintain its sustainable development strategy, the Company is entering a new development cycle with an ambitious plan to replace its entire existing fleet. The new, more technologically advanced aircraft will be more environmentally friendly, with lower fuel consumption and lower CO₂ emissions per passenger carried. This step will not only reduce direct CO₂ emissions per seat while increasing operational capacity but will also place the company at the forefront of the region in the use of new generation aircraft.

By purchasing modern aircraft, Croatia Airlines is confirming its long-term commitment to environmental protection, contributing to global efforts to reduce greenhouse gas emissions and meeting the goals of the Paris Agreement and the European Green Deal. At the same time, the modernisation of the fleet will increase the Company's competitiveness, provide enhanced comfort for passengers and reduce operating costs through energy efficiency.

In early October 2022, Croatia Airlines decided to start the fleet renewal process, i.e. the replacement of its existing aircraft (Airbus and Q400) with a new unified Airbus A220 fleet, new generation aircraft. The process will start in 2024 with the arrival of the first two A220 aircraft. A total of 15 A220 aircraft are scheduled for delivery between 2024 and 2028. The A220 is powered by two of the latest Pratt & Whitney PurePower® PW1500G engines (geared turbofan), which are part of a

new generation of engines that consume 25% less fuel per seat than the previous generation of Airbus aircraft, thereby reducing CO₂ emissions.

Share of new A220 aircraft in the Croatia Airlines' fleet

2024	2025	2026	2027	2028
8%	40%	64%	79%	100%

The average age of Croatia Airlines' aircraft at the end of 2023 was 18.15 years, and in 2025 the planned fleet age will be under 11 years, which is about seven years less than in 2023.

The process of replacing existing aircraft with a new unified fleet will reduce the average age of its fleet in the coming period. The first two new Airbus A220 aircraft arrived in 2024 and in 2025 another five are planned.

Sustainable aviation fuel (SAF)

SAF is a sustainable aviation fuel used as an alternative to conventional fossil-based aviation fuel. It is produced from sustainable sources and materials, which can include biomass and waste materials. SAF is chemically very similar to conventional jet fuel, allowing it to be used in existing aircraft and infrastructure without significant modifications. Compared to conventional jet fuel, SAF can reduce greenhouse gas emissions by up to 80% over its entire life cycle. This includes emissions from the production, transport and combustion of the fuel.

SAF must meet strict quality and safety standards to be certified for use in aviation. These include the ASTM D7566 standard, which allows it to be blended with conventional fuel up to a certain level.

SAF is a key element of strategies to decarbonise the aviation industry and achieve net-zero emissions targets by 2050, as it is projected to account for around 65% of the required CO₂ reductions in the aviation industry by 2050. Achieving this will require significant investment, regulatory support and collaboration between all industry stakeholders.

At present, the main challenges to the wider use of SAF in aviation are high cost, as the current production of SAF is three to five times more expensive than conventional jet fuels, limiting its widespread use, and limited availability. This fuel currently accounts for only 0.1% of total aviation fuel consumption due to a lack of production facilities and supply chain. IATA predicts a significant increase in production over the coming decades, but this will require significant investment and development of production capacity to meet future demand for sustainable fuels.

On 19 April 2024, Croatia Airlines used sustainable aviation fuel (SAF) for the first time on selected flights departing from the Republic of Croatia, as part of a pilot project to prepare for the implementation of legal requirements that will apply from 2025. The sustainable aviation fuel, which contains 30 to 40% of SAF components, was used in Airbus 319 and Dash 8-Q400 aircraft on international flights from Zagreb to Amsterdam, Brussels, Copenhagen, London Heathrow and Zurich, and on domestic flights on the Zagreb - Split, Zagreb - Dubrovnik - Zagreb and Zagreb - Pula - Zadar routes. Sustainable aviation fuel for the said flights was provided by INA through its supplier, thus confirming its readiness for the upcoming legal obligation according to which suppliers in the European Union must use 2% of fuel from renewable sources from the beginning of 2025 in order to decarbonise air transport. With this pilot project and flights using SAF, Croatia Airlines, in cooperation with INA as a strategic partner, is actively supporting the green transition of the Republic of Croatia in its area of work, and together with other stakeholders in the air transport chain, is laying the foundations for the wider use of SAF in Croatia, thus influencing the reduction of CO₂ emissions and confirming its readiness for the days to come.

In 2024, the percentage of SAF became mandatory at airports in the Scandinavian countries and France, which means that Croatia Airlines will use the prescribed blend at airports in these countries.

ReFuelEU

The EU's ReFuelEU Directive, which entered into force in 2024 and became fully applicable from 1 January 2025, is one of the steps to reduce greenhouse gas emissions from aviation. It introduces an obligation for airlines to refuel 90% of the fuel required for intra-EU flights at the airport of departure. The aim is to reduce the fuel consumption of flights, which has often been used as a cost-saving strategy. These new rules will mean that airlines will have to change their operating practices, except in exceptional cases accounting for 10% of operations. As fuel saving can result in increased greenhouse gas emissions during flights, the implementation of this Directive should lead to a significant reduction in emissions over the coming period. However, such a change will also increase operating costs as airlines will be forced to pay fuel prices at departure airports that may be higher than those at destination airports. The previous practice of airline operators allowed refuelling at locations with more favourable prices, which was much more favourable for the airlines, although it contributed to increased emissions.

This new legislation will require companies to review their fuel procurement strategies and improve their operational efficiency. It will also encourage the development of alternative fuels and technologies that can lead to innovation in the aviation sector. Airlines will be required to invest in more sustainable fuel sources, which in the long term could reduce their environmental footprint and contribute to global efforts to combat climate change. Ultimately, the implementation of the EU's ReFuelEU Directive represents a challenge but also an opportunity for airlines to become more sustainable and competitive in an environment that is increasingly focused on the environmental aspects of their business. This change will not be easy, but it can produce significant long-term environmental and social benefits.

Participation in emissions trading and offsetting schemes

As carbon market regulations become more stringent, managing carbon costs is becoming increasingly important. The aviation industry's CO₂ emissions trading policy, in line with regulations, aims to reduce greenhouse gas emissions and achieve sustainability through economic mechanisms.

To meet these challenges, Croatia Airlines manages its operational greenhouse gas emissions in accordance with national and international regulations and standards. In order to achieve a high level of data integrity, emission sources and emissions are monitored and calculated, and emission data is verified by an independent third party and published to external organisations.

Croatia Airlines obtains legally required emission allowances and purchases additional allowances to cover its aviation needs. The company has also developed an appropriate infrastructure for monitoring and reporting emissions. These processes are fully compliant with the EU Directive establishing a scheme for greenhouse gas emission allowance trading (EU ETS Directive 2003/87/EC), as amended and supplemented.

In addition to the European Emissions Trading Scheme (EU ETS), Croatia Airlines also participates in the Swiss (CH ETS) and UK (UK ETS) emissions trading schemes. Starting from 2019, Croatia Airlines reports the carbon dioxide emissions of its fleet to the competent authorities (Civil Aviation Authorities) in fulfilment of its obligations as a member of the CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) programme).

Optimisation of flight procedures and other activities to reduce fuel consumption

Croatia Airlines continues to implement route optimisation processes and fuel management, especially during the landing and take-off phases, which are relatively intensive in terms of fuel consumption. By using

advanced flight planning systems (LIDO), Croatia Airlines ensures flight optimisation in terms of fuel consumption. The company continues to use single engine taxiing at airports where possible, and the use of auxiliary power units (APUs) to further reduce fuel consumption and engine wear.

In addition, regular engine washing in accordance with manufacturers' recommendations helps to reduce fuel consumption and carbon emissions by reducing aircraft weight. Further cooperation with airports through the use of new, more efficient equipment reduces the fuel consumption required to service the aircraft.

Croatia Airlines has for many years carried out part of its fuel reduction activities through weight management, and accordingly Croatia Airlines has replaced the cabin seats on its existing Airbus fleet with seats made of lighter material. Croatia Airlines aircraft use EFB (Electronic Flight Bag) devices, which reduce the need to carry documentation on board the aircraft, and the mass of Croatia's in-flight magazine is constantly decreasing, thus contributing to the reduced weight of the aircraft. On the new A220 aircraft, passengers will be able to connect to the WiFi network, eliminating the need for other in-flight documentation (newspapers, magazines). This will affect the weight of the aircraft in the fleet replacement process.

In addition to the goal of reducing greenhouse gas emissions, any change must maintain the highest level of flight safety and balance fuel efficiency with other operating costs, such as maintenance costs and airspace charges. Key roles include those responsible for network planning and those involved in aircraft operations.

Croatia Airlines, in cooperation with local partners, provides sustainable transport to and from the main airports in Croatia, helping to reduce private car use and CO₂ emissions. Organised shuttle buses, such as those in Dubrovnik, Zagreb and Split, provide convenient and environmentally friendly transport for passengers, coordinated with flights, reducing traffic congestion and greenhouse gas emissions.

Target values

In line with its business sustainability objective, Croatia Airlines plans to expand its operations in the coming period to meet the needs of a growing market and improve passenger services, and capacity growth is planned accordingly. The increase in capacity will also lead to an increase in fuel consumption and related direct CO₂ emissions (Scope 1) in the period from 2025 to 2028, after which the growth of direct emissions would stop. Aware of the importance and impact of its business on the environment, Croatia Airlines is embarking on a new development cycle, replacing its entire existing fleet with new, more environmentally friendly aircraft that consume 25% less fuel per seat, in order to reduce its environmental impact despite the increase in capacity.

The base year for its targets is 2022, and the base values are:

- Scope 1: 158,912 tonnes of CO₂, emission intensity per passenger kilometre
- Scope 2: 142,99 tonnes of CO₂.

Croatia Airlines' Scope 1 and Scope 2 CO₂ emission reduction targets by 2030:

- Scope 1: 30% reduction in emission intensity per passenger kilometre
- Scope 2: 0 t CO₂e - all purchased electricity will continue to be HEP ZelEn certified.

- Scope 3: A system for monitoring Scope 3 emissions is being established and emission reduction targets will be set for future reporting periods.

The CO₂ emission reduction targets are not consistent with limiting the increase in the global average temperature to less than 1.5°C, which would require the economy to be carbon neutral by 2050. The targets are in line with legislation and the EU's decarbonisation strategy for the aviation industry. With the current development of technology and the amount of available SAF, it is not possible to achieve a reduction that would meet the criteria of the Paris Agreement. Croatia Airlines will continue to work on reducing its carbon footprint where possible and will monitor industry trends and technological developments and improve its transition plan accordingly.

Scope 1, 2 and 3 boundaries are defined according to the standards of the Greenhouse Gas Protocol (GHG Protocol).

Indicators

Energy mix

Energy mix and consumption

Energy mix and consumption	2024	2023
(1) Energy consumption from coal and coal products (MWh)	-	-
(2) Energy consumption from crude oil and petroleum products (MWh)	775,511	743,121
(3) Energy consumption from natural gas (MWh)	341	324
(4) Energy consumption from other non-renewable sources (MWh)	-	-
(5) Energy consumption from nuclear sources (MWh)	-	-
(6) Consumption of purchased or acquired electricity, thermal energy, heat, steam, and cooling from non-renewable sources (MWh)	-	-
(7) Total consumption of non-renewable energy (MWh)	775,852	743,445
Share of non-renewable sources in total energy consumption %	100	100
(8) Energy consumption from renewable sources (including biomass, biogas, non-fossil fuel waste, renewable hydrogen, etc.) (MWh)		-
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	1,921	1,749
(10) Consumption of self-produced renewable energy without fuel (MWh)	-	-
(11) Total renewable energy consumption (MWh)	1,921	1,749
Share of renewable sources in total energy consumption %	0	0
Total energy consumption (MWh)	777,773	745,194

Energy intensity

In 2024, as in 2023, Croatia Airlines did not produce any electricity.

Energy production from renewable sources

	2024	2023
Energy intensity (MWh/EUR)	0.003048	0.003081
Net revenue (000 EUR)	255,171	252,360

Carbon footprint

Greenhouse gas emissions

	Base year 2022	2024	2023	Index 2024/2023
Greenhouse gas emissions from Scope 1				
Gross greenhouse gas emissions from Scope 1 (tCO ₂ e)	158,769,311	188,431,562	179,638,039	105
Percentage of greenhouse gas emissions from Scope 1 from regulated emissions trading programs (%)	99%	99%	99%	100
Greenhouse gas emissions from Scope 2				
Gross greenhouse gas emissions from Scope 2 based on location (tCO ₂ e)	68,362	60,819	57,667	105
Gross greenhouse gas emissions from Scope 2 based on market (tCO ₂ e)	-	-	-	-
Greenhouse gas emissions from Scope 3				
Total gross indirect greenhouse gas emissions from Scope 3 (tCO ₂ e)	-	34,816	28,616	122
1. Purchased goods and services	-	-	-	-
2. Capital goods	-	-	-	-
3. Fuel- and energy-related activities	-	33,047	28,600	116
4. Upstream transportation and distribution	-	-	-	-
5. Waste generated in operations	-	14	16	87
6. Business travel	-	-	-	-
7. Employee commuting	-	-	-	-
8. Upstream leased assets	-	1,755	-	-
9. Downstream transportation	-	-	-	-
10. Processing of sold products	-	-	-	-
11. Use of sold products	-	-	-	-
12. End-of-life treatment of sold products	-	-	-	-
13. Downstream leased assets	-	-	-	-
14. Franchises	-	-	-	-
15. Investments	-	-	-	-
Total greenhouse gas emissions				
Total greenhouse gas emissions (location-based) (tCO ₂ e)	158,837,673	188,588,506	179,785,307	105
Total greenhouse gas emissions (market-based) (tCO ₂ e)	-	-	-	-

The methodology for measuring aircraft emissions is the methodology established by the so-called "EU ETS" methodology in accordance with Directive 2003/87/EC and all subsequent regulatory amendments and is also applied to the UK ETS, CH ETS, and CORSIA system. The methodology for measuring emissions from road

transport fuels is the IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

The significance of the Scope 3 categories was determined through a double materiality assessment based on the analysis of the business model and strategy. Croatia Airlines operates on the basis of fuel consumption, which is associated with emissions in category 3, human resources, which is associated with emissions in category 7 due to commuting, and the use of leased aircraft, which is associated with emissions in category 8. Aircraft maintenance and repair activities generate waste, the disposal of which is associated with emissions in category 5. Croatia Airlines estimated emissions based on the methodology described below. Precise information on emissions from the value chain was not available and therefore emission factors were used for estimation. During the reporting period, it was not possible to estimate emissions in category 7 as the necessary data was not available. The monitoring system is currently being set up.

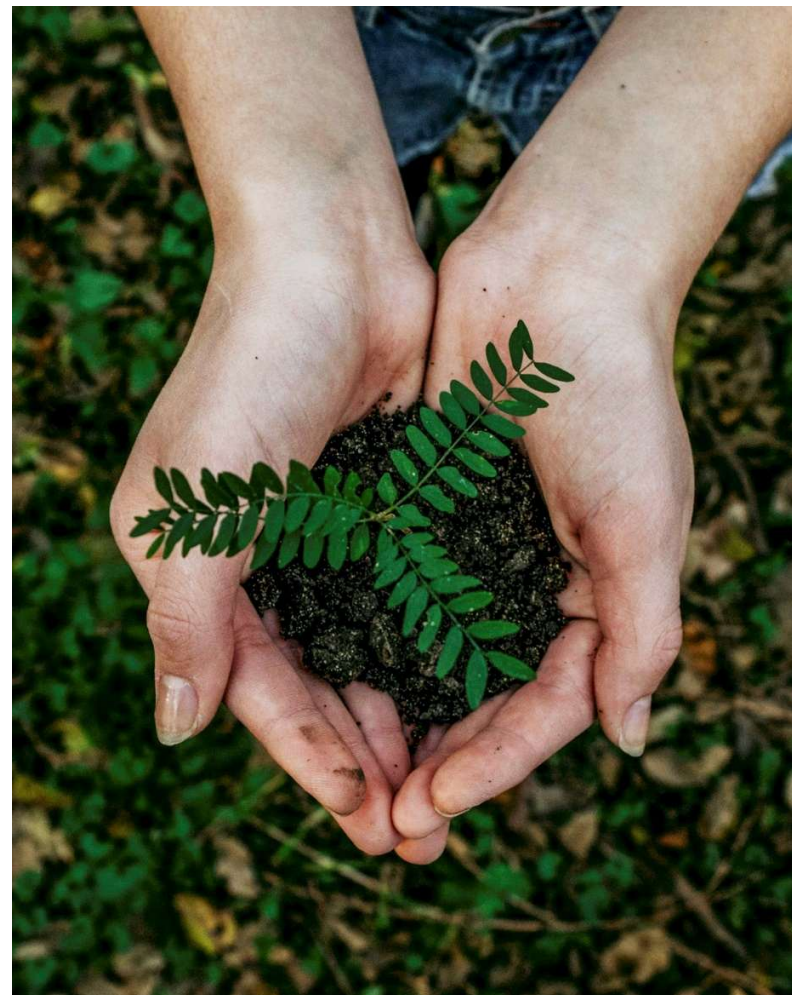
Category 3, i.e. Scope 3 fuel and energy activities, is the result of the fuel consumed during the year, calculated using conversion emission factors converted to litres at a standard density (0.800) <https://www.co2emissiefactoren.nl/lijt-emissiefactoren/> to estimate the emissions performance of Scope 3 companies.

Category 5 emissions are calculated using waste data collected from the accompanying sheets and presented in the Circular Economy - Waste chapter, and emission factors for paper, plastic and metal recycling, mixed waste disposal, incineration and hazardous waste disposal from the DEFRA database.

For category 8 (leased assets at a higher level of the value chain), two Airbus A220-300 aircraft were put into service in 2024. In order to calculate the Scope 3 emissions (emissions generated during the production of these aircraft), official Airbus data was taken from the company's official report and the results below were obtained. As Airbus had not published data for 2024 at the time of writing, 2023 data was used for the assessment <https://www.airbus.com/sites/g/files/jlcbta136/files/2024-03/Airbus-Annual-Report-2023.pdf#page=87>. Airbus delivered 735 aircraft in 2023, of which 645,000 tonnes of CO₂ were in Airbus Scope 1, resulting in an indicator per aircraft of 877.55 tonnes of CO₂. According to the data, the production of two aircraft delivered to Croatia Airlines in 2024, emitted 1,755 tonnes of CO₂.

GHG intensity

GHG intensity	2024	2023
Net revenue (000 €)	255,171	252,360
GHG intensity (tCO ₂ e/€)	0.738826	0.712170
GHG intensity (tCO ₂ e/pkm)	0.137051	0.138240



Circular economy – waste Policy

Croatia Airlines is aware of the importance of preserving the environment and natural resources and has therefore adopted an Environmental Protection and Energy Efficiency Policy, which defines waste management through prevention, separate collection, recycling and disposal of various types of waste as one of the priorities in environmental protection, as well as continuous training of employees in order to raise awareness of this topic. The Company has identified the Technical Affairs Sector at Zagreb International Airport and the Head Office at Buzin as the two locations with the highest environmental impact in terms of ISO 14001 and ISO 50001 standards, as well as in terms of waste generation and disposal. The Fuel Procurement and Sustainable Development Department is responsible for the successful implementation of the policy. The policy is available to employees on the intranet and is promoted through internal environmental training.

Objectives and steps taken

Croatia Airlines' waste management system is based on a responsible and sustainable approach that prevents direct negative impact on the environment. Hazardous waste is handed over for disposal to an authorised collector who holds a permit issued by the competent ministry and disposes of the waste in accordance with legal requirements. It is ensured that all types of waste, especially hazardous waste, are monitored and disposed of in accordance with applicable legislation. The entire waste flow, from generation to final disposal, is documented and transparent, and a waste register is kept.

In accordance with legal obligations (Waste Management Act and related regulations), the company has appointed a person responsible for the management of hazardous waste, who is responsible for the internal supervision of the processes of the organizational units and acts as a contact person for the regulatory authorities in the reporting area (Environmental Protection and Energy Efficiency Fund, Ministry of Economy).

Particular attention is paid to rationalising consumption and minimising waste in all business areas. In the general part of the company, measures have been introduced to reduce the consumption of office supplies, such as:

- double-sided printing on shared printers
- educating employees on the importance of responsible use of resources
- various projects aimed at digitising certain processes in order to reduce printed documents.

In the technical operations sector, where the majority of waste is generated, it is possible to collect municipal and hazardous waste separately. In 2024, the different types of waste were carefully separated and 16,751 kg of hazardous waste, including waste kerosene, was recorded. Due to the variable quantity of kerosene, better fuel planning is actively promoted to minimise waste. Waste kerosene is generated in two ways. The first is through regular testing for the presence of water and contaminants in the fuel (which is not allowed) when aircraft tanks are tested daily by taking small amounts of fuel as a sample. The second is when aircraft tanks are emptied prior to major technical maintenance when, for safety reasons, fuel must not be on board the aircraft. For safety reasons, as well as strict quality control of the fuel, this fuel is generally classified as waste. Such waste fuel is handed over to an authorised collector

who disposes of it in such a way that it can be used for other purposes (incineration to produce heat or electricity, etc.).

In administrative offices, municipal waste is managed in accordance with local and national regulations. In 2024, 4,456 kg of paper was collected at key locations and handed over to an authorised collector for recycling, with a focus on continuous improvement of the waste separation process. Croatia Airlines continues to support all initiatives that contribute to reducing its environmental footprint, including participation in local waste separation programmes, thereby contributing to environmental protection and sustainable resource management.

Disposal of aircraft leaving the fleet

As they are under lease, the aircraft leaving the Croatia Airlines fleet are returned to the owner after being brought to the desired technical state (equipment). The owner then decides what to do with them when they have reached the end of their service life. This process is becoming increasingly important due to the growing fleet of obsolete aircraft, and modern recycling centres specialise in disposing of them in an environmentally friendly manner.

Croatia Airlines circular economy objectives:

- Continuous improvement of waste sorting processes and increase in recycling rates
- Rationalisation of consumption and minimisation of waste
- Informing aircraft maintenance service users about the need for careful fuel planning for aircraft coming to Croatia Airlines for maintenance.

The objectives are not quantified in terms of target values and deadlines.



Indicators

Waste quantity

	2024	2023
Non-hazardous waste (in tons)	20	13
Hazardous waste (in tons)	17	19
Radioactive waste (in tons)	0	0
Total waste generated (in tons)	37	32

Quantity of non-hazardous waste diverted from disposal by type of treatment

	2024	2023
Preparation for reuse (t)	0	0
Recycling (t)	5	7
Other recovery processes (t)	0	0
Total amount diverted from disposal (t)	5	7

Quantity of non-hazardous waste that is handled by type of treatment

	2024	2023
Incineration (t)	0	0
Waste disposal (t)	0	0
Other disposal processes (t)	15	6
Total amount of disposal (t)	15	6

Croatia Airlines incinerates all hazardous waste, so data on the amount of hazardous waste diverted from disposal by type of treatment is not available.

Quantity of hazardous waste that is handled by type of treatment

	2024	2023
Incineration (t)	17	19
Waste disposal (t)	0	0
Other disposal processes (t)	0	0
Total amount of disposal (t)	17	19

Non-recycled waste

	2024	2023
Total amount of unrecycled waste (t)	32	25
Percentage of unrecycled waste (%)	86	72

The following materials are included in the waste: paper, plastic, metal, waste oils, paints, composite materials, EE waste, used tyres, batteries and accumulators, used kerosene.

In accordance with the applicable regulations of the Republic of Croatia, in the chain of handling of both hazardous and non-hazardous waste it is handed over to an authorised collector who ensures its further processing. The Department of Integral Protection collects and handles waste and maintains related documentation, which is the basis for further processing and publication of data on waste.

Social responsibility



Š. Luganov

Company employees

Croatia Airlines pays great attention to employee satisfaction, as highly motivated and satisfied employees are a key factor in achieving its goals. This is why mutual respect, cooperation and teamwork are encouraged. The latest trends in resource management are evaluated and applied. The Company is actively involved in providing career guidance and training and also in improving the performance of its employees.



Š. Lugačarov

The impacts, risks and opportunities related to the workforce are covered and described in the internal Work Regulations and the Collective Bargaining Agreement, which clearly define the processes and procedures, prepared in accordance with national legislation and international standards, and approved by the Management. They are also covered by the business strategy or negotiated with employee representatives through the collective bargaining process. The main operational risks related to the workforce are part of the strategic risks, which are regularly monitored and evaluated on an annual basis and reported to the Management Board and the Audit

Committee. Croatia Airlines' main objectives in relation to its workforce, as set out in its Work Regulations, are as follows:

- Ensuring decent work;
- Guaranteeing occupational health and safety;
- Promoting the professional development of all employees;
- Ensuring equality and equal opportunities for all, and promoting diversity;
- Enabling the Company to develop and adapt to new requirements.

The Human Resources Management unit is responsible for creating and standardising key human resources management processes for all organisational units. To this end, it has continuously adapted its rules and processes for recruiting and retaining employees, developing incentive schemes, ensuring appropriate social dialogue, developing and adapting the organisational structure for efficient management, employee training and professional development. Croatia Airlines adopts and reviews a gender equality plan, builds internal processes to protect the dignity of employees and safeguard them from any form of discrimination and harassment, to respect ethical principles in work processes and rules for internal reporting of irregularities and the appointment of a designated (confidential) person. Special attention is paid to updating standards and providing training in occupational safety and fire protection, and the Company reviews and harmonises job descriptions and requirements, as well as the competencies needed to successfully perform work tasks.

The rules and procedures are available to all employees on all corporate levels via internal channels – the intranet – and they can request information or clarification of their rights and obligations at any time. The Human Resources unit will shortly provide such information or clarifications. This approach to employees is fully supported by the Management, and implemented by the Human

Resources Department and Integral Safety Department.

Croatia Airlines implements social dialogue in two ways:

- By cooperating, reporting, informing and making decisions together with the appointed representatives of the Works Council on all issues that are important for the workers' positions as stipulated by the provisions of the Labour Act, and
- By cooperating and communicating with labour union representatives, particularly in the collective bargaining process, with the aim of taking into account the employees' perspective when making decisions and carrying out activities that affect them. Croatia Airlines has appointed a person to communicate with the Works Council and unions in order to solve current and urgent problems in a transparent manner and within a short period of time, to the satisfaction of all parties. The Company has established and implemented efficient mechanisms for resolving employee complaints in order to ensure transparency and improve the working environment. Such mechanisms allow for anonymous and non-anonymous submission of complaints to the Ethics Committee, Dignity Protection Officer, Irregularities Officer, Data Protection Officer, for the purpose of protecting individual values. By monitoring and resolving complaints in a timely manner, the Company actively contributes to increasing employee satisfaction and strengthening mutual trust.

Recruitment and working conditions

Croatia Airlines ensures appropriate working conditions through internal Work Regulations and Collective Bargaining Agreement, in compliance with the Labour Act and applicable international standards, including EU regulations and International Labour Organization conventions. It provides decent salaries, respects contractual or statutory working hours and benefits, and guarantees freedom of association and collective bargaining. New hires, required competencies and training for successful performance of all work-related tasks are planned on an annual basis. Highly motivated and satisfied employees are key to ensuring quality. The Company's policy is to employ people for an indefinite period, although fixed-term contracts are mostly offered for seasonal jobs. The majority of employees have full-time contracts. As the Company promotes a good work-life balance, it has introduced flexible working hours for non-operational staff, both on arrival and departure, and the possibility of occasional remote working.

Occupational health and safety

Aware of the potential negative impact of operational activities on the health and safety of employees, Croatia Airlines has established an internal occupational health and safety management system in accordance with relevant applicable legislation. The aim is to ensure a safe and healthy working environment, taking into account the risks associated with flight operations and aircraft maintenance, including physical, chemical, biological and other hazards. Occupational health and safety impacts and risks are regulated by the internal Occupational Health and Safety Guidelines and the Fire Protection Regulation, which are harmonised with national and EU legislation. The Company has also defined procedures and work instructions to train employees to work in a safe manner and to protect employees.

Specific working conditions for aircraft crew members include shift work, characterised by early duty start times, night work and late duty end times; frequent changes in work schedule, time zone transitions, standby duties, long duty hours, and often a combination of these. Cramped cockpits and sitting positions with minimal and repetitive movement result in reduced physical activity, which affects the quantity and quality of sleep. Fatigue affects our cognitive abilities such as alertness, memory, learning, problem-solving and decision-making. A group called the Fatigue Safety Action Group (FSAG) has been formed to help manage all fatigue-related risks.

Professional development opportunities

Croatia Airlines recognises the key role of personal and professional development in the career progression of its employees, which is critical to the success of the Company. It therefore actively invests in training, mentoring and continuing education programmes to enable its employees to acquire new skills and knowledge. Due to the exceptionally sophisticated technology and demanding business processes, the Company invests significant funds each year in employee training, especially in the area of specialised training and maintaining the level of education of flight and cabin crew, as well as of all other employees whose contribution to the Company's core business processes is invaluable. Working at Croatia Airlines provides opportunities for professional development, and contributes to employee satisfaction and motivation. The Company builds on a working culture that promotes cooperation and teamwork, while willingness to learn and develop further is expected from each employee.

Non-discrimination, equal opportunities and privacy protection

On the basis of the Work Regulations, a special procedure for the protection of the dignity of employee and the Code of Ethics, the Company is committed to establishing working relationships based on the principles of equal opportunities and fair treatment, excluding any discriminatory basis. Based on the defined job classification, all candidates are entitled to apply for a given position regardless of race or ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion, political, national or social background or any other discriminatory basis.

This covers all aspects of the employment relationship, including recruitment, material rights and remuneration (including salaries and benefits), working and employment conditions, access to training, work distribution, promotion, termination of employment or retirement, as well as disciplinary practices, and the principles of non-discrimination apply to all employees.

Croatia Airlines guarantees equal pay for equal work. Any employee who experiences or witnesses discrimination has the right and obligation to report such cases through the channels established within the Company as described above. It is the responsibility of Croatia Airlines to promptly investigate complaints and provide assistance to victims.

Croatia Airlines protects the privacy of its employees by collecting only the personal data necessary for the exercise of rights and obligations arising from the employment relationship, and has appointed and authorised a person responsible for the protection of personal data and the implementation of special procedures for the protection of privacy.

Human rights and rights at works

Croatia Airlines is strongly opposed to forced labour, child labour and the recruitment of persons who are victims of human trafficking. Such practices are prohibited and avoided by complying with all relevant regulations and ensuring high ethical values. Croatia Airlines fully adheres to the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises regarding the respect for human rights and rights at work, and ensures employee grievance mechanisms through which any person can raise concerns about working and employment conditions and seek redress if their rights are violated. The mechanism provides for appropriate and expeditious means of addressing such concerns through an understandable and transparent process that provides timely feedback to complainants.

Croatia Airlines provides its employees with clear, documented information on their rights under national labour and employment law and applicable collective agreements, including their rights related to working hours, pay, overtime, remuneration and benefits, at the beginning of the employment relationship and in the event of any significant changes. All Company documents, collective bargaining agreements, rules, instructions and procedures are published on its intranet site and are available to all employees.

Interaction with employees

Croatia Airlines is committed to continuous dialogue with employees through various formal and informal communication channels, and the involvement of employees through their representatives is crucial to ensure their satisfaction and motivation, and to take into account their perspective in the process of making decisions and

implementing related activities. In this way, the Company seeks to avoid the risk of not understanding their needs. Some examples of employee involvement and Croatia Airlines' interaction with employees:

- *Freedom of association and collective bargaining* – There are six labour unions in the Company: Croatian Union of Air Traffic Pilots, Union of Engineers and Technicians in Aviation, Independent Professional Union of Croatian Aeromechanics, Air Cabin Staff Union, the Independent Croatian Union of Airline Employees, and ORCA – Croatia Airlines' Employees Organisation, whose members are pilots, cabin crew staff and aeromechanics, as well as employees represented by the New Union, which represents them in collective bargaining matter, alongside the Independent Croatian Union of Airline Employees. Collective bargaining serves to balance the interests of employees and employer on issues such as pay, benefits, working hours and occupational safety. The majority of employees are union members, but the provisions of the collective bargaining agreement apply to all of them (100%). The collective agreement provides additional benefits above the legal minimum, including longer annual leave, paid leave, salary bonuses and severance pay.
- *Works Council* – Through the Works Council, the Company's employees participate in decisions concerning their economic and social rights and interests in the manner and under the conditions prescribed by the Labour Act. In addition, the Works Council receives quarterly employment reports and provides advice in accordance with its the obligations under the Labour Act. From time to time, representatives from the Human Resources department also attend the Works Council meetings to provide reports and advice. When necessary, the Chairman of the Board and other sector managers are invited

to attend such meetings. The Company has appointed the Head of Human Resources to liaise with the Works Council and labour unions to ensure prompt cooperation.

- *Supervisory Board* – One member of the Supervisory Board is an employee representative.
- *Workers' gathering* – Held once a year for direct communication between employees and management, at which business reports and development plans are presented.
- *Occupational Health and Safety Committee* – In order to ensure a safe and healthy working environment for employees, the Occupational Health and Safety Committee meets at least once every six months to review workplace hazards, assess the effectiveness of implemented measures and analyse data on occupational injuries. The Committee brings together employee and management representatives, as well as occupational health and safety experts. Employee representatives collect feedback from their colleagues about safety issues, incidents or suggestions for improvement. They also inform employees about news, conclusions and solutions related to health and safety practices. By promoting the safety culture and solving problems, the Committee contributes to the well-being of all employees and creates a safer working environment. Through the Committee activities, employees are involved in all phases of health and safety management, from identifying and assessing hazards to developing and implementing safety measures, monitoring their performance and analysing the results.
- *Internal information distribution channels* – Croatia Airlines uses e-bulletins, e-internal magazine and intranet site to inform its employees about important issues and changes, as well as opportunities related to job vacancies, training, activities, etc. It

regularly involves labour union representatives in the implementation of internal recruitment procedures, as agreed with the unions, and sets up special committees and commissions to monitor the application of signed agreements (Flight and Cabin Crew Seniority List Committee, Collective Agreement Monitoring and Interpretation Committee, etc.). To this end, it organises meetings with union representatives whenever necessary.



Employee complaint mechanisms

- Any employee may at any time raise concern about working conditions or voice their needs to their line manager or the Human Resources Department. The Human Resources Department receives and reviews complaints related to work processes and proposes solutions to improve them.
- Employees must immediately report in writing to the employer and their authorised person, the occupational safety expert or representative any situation that they consider to be a significant and immediate risk to safety and health, the absence or inadequacy of instructions for such situations, as well as any identified shortcomings in the organisation and implementation of occupational safety.
- In order to protect the dignity of its employees, the Company has established a procedure for receiving and handling complaints and has appointed two people (one male and one female) to receive and deal with complaints in line with legal requirements. Complaints must be submitted in writing, using a form published on the Company's intranet site, or via a dedicated email address. One such complaint was received in 2024. The Company also regularly adopts a gender equality plan.
- Any employee may, at any time, report persons or activities that do not comply with Croatia Airlines' Code of Ethics, which includes provisions related to employee conduct. The reporting procedure is described in the Code of Ethics. Employees file complaints in writing, by filling in the form entitled *Ethics Code Breach Report* and submitting it to the Committee. Their complaints will be received by the ethics officer appointed by the Management Board. Employee privacy and confidentiality will be respected throughout the process to ensure that they

feel safe to raise concerns, without fear of retaliation. Anonymous reports will not be considered to avoid system abuse. The Code of Ethics and the Rules of Procedure of the Code of Ethics Monitoring Committee are published on the Company's intranet site and are available to all employees. Two reports were submitted to the Committee in 2024.

- If an employee suspects unlawful conduct within the meaning of the Whistleblower Protection Act, they may, in accordance with a special procedure, make an internal report to the person designated by the employee, who will carry out the prescribed procedure.
- Any employee may request the removal of all personal data not related to the employment relationship from the Human Resources Department and may contact the personal data protection officer.

In the reporting period, there were no sanctions or damages related to the complaints received. The receipt of complaints through the channels described above indicates that employees are aware of them and actively use them.

Activities

Amendments to the Collective Bargaining Agreement

Working conditions are based on the provisions of the Croatian Labour Act, and the Collective Bargaining Agreement additionally defines employee and employer responsibilities and specifies working conditions, including those related to occupational safety, benefits and remuneration. A five-year collective agreement expired on 31 January 2024 and the dialogue between Croatia Airlines and labour unions in the final quarter of 2023 and in 2024 was aimed at negotiating new agreement terms. After negotiations that lasted several months were successfully completed, a new agreement was signed in July 2024, resulting in a solution acceptable to all parties. The Agreement came into force on 1 July 2024 and will be in effect until 30 June 2029. It will ensure social peace for the next five years, which is an important prerequisite for the further implementation of strategic goals and the most important project in the Company's history – fleet renewal, i.e. the arrival and integration of new Airbus A220 aircraft into Croatia Airlines' operations. In the period between the expiry of the old collective agreement and the signing of the new one, the employees retained their rights under the old agreement, including an additional 10% gross salary increase, which was implemented on the basis of the Management Board's decision of 1 April 2023, although it was not part of the old collective bargaining agreement.

Recruitment

New recruitments, required competencies, and training for the successful performance of all work-related tasks are planned on an annual basis. The Company regularly offers its employees the opportunity to apply for job vacancies within the Company through internal recruitment procedures and organises training courses to

improve the skills and knowledge of its employees, in addition to the regular training programmes required for the smooth running of the business.

In 2023, the Company started preparations for the introduction of the new type of aircraft, A220, into the fleet. In order to align its needs and goals with the current workforce and the timely introduction of new aircraft into the fleet, it adjusted its internal Training Rules and made training arrangements for the new aircraft type, A220. It formed a new organisational unit and positions to be filled in the midst of these changes, and invested a lot of effort in adapting its internal rules and processes to the new aircraft type. In early 2024, the Company hired additional staff in the Operations and Technical Sectors, to prepare for the operation of the first aircraft of the Airbus A220 fleet.

As a pillar for the further development of human resources, the Company continued to employ younger people and in 2024 the percentage of employees under 30 years of age rose by 1% compared to 2023.

Occupational health and safety

Croatia Airlines' Management has included several roles in its occupational health and safety system, which are responsible for creating and maintaining a safe working environment:

- Authorised person of the employer – the person to whom the employer delegates occupational safety activities, i.e. at Croatia Airlines those are all heads of organisational units.
- Occupational health and safety representative – employees elect among themselves their occupational health and safety representative to represent their interests in all occupational health and safety matters. Croatia Airlines has nine

occupational health and safety representatives, who elect their coordinator among themselves.

- Professional occupational safety activities at Croatia Airlines are performed by the Integral Safety Department (safety at work, fire protection and environmental protection), which monitors the situation in this area on an ongoing basis and proposes necessary measures for their improvement, and provides expert assistance to the employer, authorised persons and employee representatives.
- The Occupational Health and Safety Committee is composed of a coordinator of the employer's authorised person, a coordinator of the employees' representative for occupational health and safety, an occupational safety specialist and an occupational medicine specialist. The Occupational Health and Safety Committee is an advisory body that makes suggestions to the employer on how to improve safety at work.

The Company has provided workplaces free of tobacco smoke, alcohol and narcotics. In 2024, it invested EUR 58,664 in protective equipment, employee insurance, flu vaccinations and occupational health and safety training.

Risk assessment for workplaces

Croatia Airlines conducts a risk assessment for all workplaces and takes measures to prevent accidents, injuries and illnesses at work or during work, thus minimising the associated risks. Based on the assessment it identifies necessary and appropriate measures in response to a potential adverse impact on the health and safety of employees.

Training employees to work in a safe manner

Training employees to work in a safe manner is based on the workplace risk assessment, the Occupational Health and Safety Regulation and the prescribed training procedure. Most jobs in the Technical Sector are high-risk jobs (such as working at heights, with hazardous chemicals, different machines and dangerous devices).

Employee training in safe working practices and basic fire safety training is regularly organised and delivered to all new employees and those who could benefit from a refreshment course. The Company also organises and conducts training for employer and employee authorised persons and representatives. Specialised training in the safe use of more hazardous machinery and equipment (hydraulic platform lifts, metal and non-metal processing machines, forklifts, etc.) is organised in line with the needs of the Technical Sector. All employees in workplaces with special conditions undergo regular medical examinations.

Emergency preparedness and response

Emergency preparedness and response is one of the elements of occupational health and safety. Evacuation plans are regularly updated and tested through drills and simulations. Such training ensures that all employees are familiar with the correct procedures to follow in the event of an emergency, such as a fire or acute medical incident.

Internal testing and corrective measures

The Company checks the professional competence of employees for jobs that require special working conditions (medical examinations and/or testing professional skills), and the use of personal protective equipment. All employees are also tested for alcohol, narcotics and other psychoactive substances. All work equipment (machines, devices, tools, plants and installations) used in the work process, as well as that used for fire detection and extinguishing, is regularly inspected and periodically tested. The methods of collection/keeping/storage and disposal of hazardous/non-hazardous waste are also inspected.

Employee health as a priority

Croatia Airlines pays special attention to employee health. Employees regularly undergo medical examinations, the cost of which is borne by the employer. The Company organises on-site flu vaccinations and dermatological examinations. Such initiatives demonstrate its commitment to preserving the health and well-being of its employees by providing access to preventive healthcare at the workplace. Under the new collective bargaining agreement, the Company undertook to cover the costs of health screening for all employees.

Monitoring the performance of the occupational health and safety system

The performance of the occupational health and safety system is assessed via key performance indicators (KPIs), which include work-related injuries and the number of working days lost due to work-related injuries or health problems.

Employee training and education

Like other air carriers, Croatia Airlines is subject to strict regulatory requirements, and mandatory training is an integral part of the policy. This includes training courses necessary to obtain and maintain certificates for various positions, such as pilots, cabin crew, technical staff and other specialised positions. Certificates must be regularly renewed through recurrent training to ensure compliance with the latest safety standards and practices. For this reason, the training of Croatia Airlines' employees takes place simultaneously on three levels:

- Operations Training Centre, whose activities are related to the training of flight, cabin and ground personnel;
- Technical Training Centre (TTC), which provides training for technical and aircraft maintenance personnel;
- Training Centre, intended for non-operational sectors, with the target group being all other Company employees.

Due to its highly sophisticated technology and demanding business processes, the Company invests considerable resources in employee training each year. In 2024, a total of EUR 1.8 million was invested in employee training, mainly for specialist training and maintenance of the level of education of flight and cabin crew, as well as all other employees whose contribution to the Company's core business processes is invaluable. The training process for the employees of Croatia Airlines relies primarily on internal resources, implying the use of the Company's own authorised instructors. In addition to the financial savings realised in this way, the nurturing of its own know-how results in reduced dependence on external resources and promotes the Company's culture and business strategy.

In 2024, Croatia Airlines' Technical Training Centre continued its active cooperation with the Croatian Civil Aviation Agency

concerning the issuance and renewal of PART-66 licences in the Aerodrome section, where there is also a certified training organisation (the Croatian Civil Aviation reported no issues upon completion of annual audit).

When it comes to PART-147 training, a new regulation came into force and introduced significant changes, and the TTC carried out compliance with the new regulations within the envisaged deadline, enabling the Company to extend all authorisations for basic and type training. Within the basic training, the first ten CTN employees were granted the initial AML Part-66 licence upon successfully passing tests under the Basic Training Module at the TTC, on the basis of the project initiated in 2023.

The Company held all of the training courses prescribed by the PART-145 regulations and needed for the unobstructed work of the Technical Sector, i.e. its engineers, mechanics and other staff, as well as for extending internal authorisations of Croatia Airlines' PART-145 engineers, mechanics and subcontractors.

As for the training prescribed by the PART-145 regulation, as a result of the amendments that came into effect on 12 June 2024, the TTC lost the approval for On-the-Job Training to enter the first aircraft type in the AML PART-66 licence that was conducted in a PART-145 organisation. The Company intends to comply with the amendments in the coming period in order to regain this approval.

As to the new manual and approval of the Technical Training Centre, OP-STP-029 Airside Operations Training Manual, which defines training in line with the PART ADR regulations, Croatia Airlines' employees received training in airside movement and manoeuvring. Also, the Company actively cooperated with Zagreb Airport on the issuance and renewal of approvals for employees. The first groups of employees received training for A220 – the new aircraft type joining the fleet: 24 of them completed the A220 type all sys B1/B2 training

(licensed aeromechanics), ten completed a run-up course, ten engineers completed an A220 gen fam course, two employees completed A220 cat C training, three employees completed a SRM A220 course, and six completed a PW1500 BSI & engine change course.

Furthermore, the Company provided commercial On-The-Job Training to 41 attendants, thus generating additional revenue.

More than 1,200 different certificates were issued in 2024, enabling employees in the Technical Sector and other company departments to work smoothly and meet the requirements of all mandatory rules and regulations.

Croatia Airlines' Operations Training Centre offers a wide range of training courses intended for flight, cabin and ground personnel. All training courses are based on certified programmes harmonised with EASA regulations and approved by the Croatian Civil Aviation Agency. Training courses are conducted by highly experienced Croatia Airlines instructors.

In 2024, the Operations Training Centre carried out all of the planned initial training courses, mandatory refreshers, as well as aircraft, simulator and ground checks related to the introduction of the new aircraft type into the fleet, enabling the Company to extend all authorisations and licences necessary for its employees to perform their activities. The Operations Training Centre delivered the planned training and refresher courses throughout 2024, all on time, with minor adjustments for operational reasons, namely long-term sickness and simulator defects. Due to the large number of initial training courses and the process of introducing new aircraft type into the fleet, there were slightly fewer commercial training courses in 2024 than in previous years.

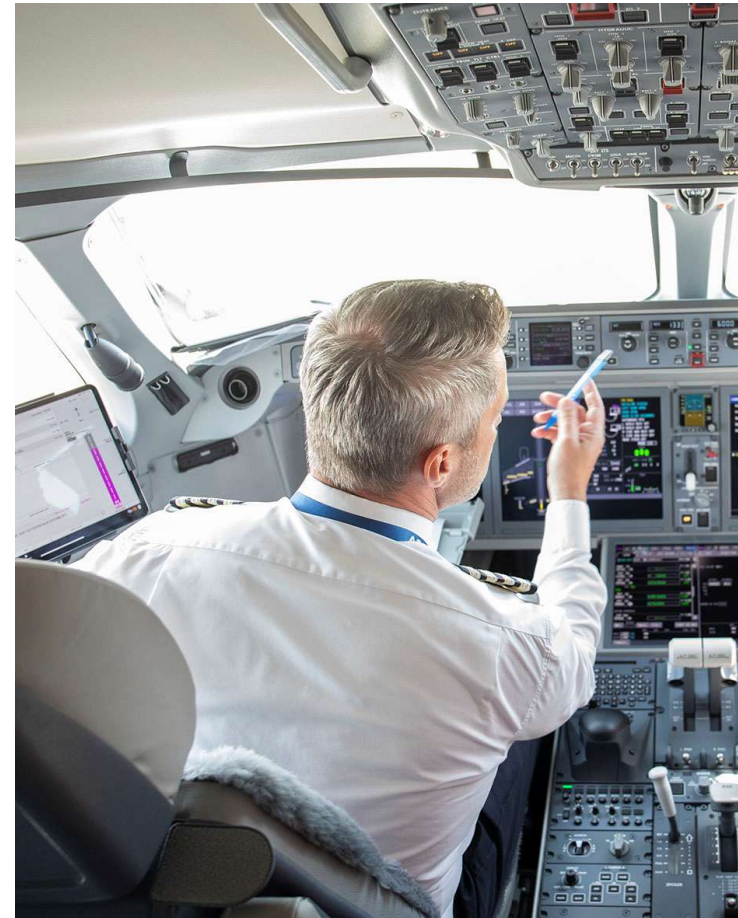
The Croatian Civil Aviation Agency carried out several audits and inspections for the purpose of continuous monitoring of the activities of the Operations Training Centre at the premises of Croatia Airlines, on both the simulators and scheduled flights of Croatia Airlines' aircraft. The results showed an enviable level of compliance with the prescribed standards. A number of inspections of simulators and instructors' work were carried out in accordance with the provisions of the OM-D & Quality Inspection Orders for the purpose of monitoring and improving the quality of their work.

The majority of specialist and professional employee training takes place in the IATA (International Air Transport Association) training centres, but also in other specialised training institutions, and, for certain types of training, where internal know-how is lacking and/or development is too expensive, the Company uses the services of external experts who conduct in-house courses. In 2024, Croatia Airlines' employees participated in various themed conferences, symposia and working groups organised by external professional institutions, with the aim of becoming more familiar with the industry's operational and commercial innovations.

In 2024, internal training for non-operational staff included training related to auditor refreshers, dangerous goods handling procedures, initial training courses and refreshers related to passenger reservations, tariffs and ticketing, courses related to the adoption of certain legal regulations, financial market developments, new safety measures in the industry, etc.

In order to promote new, modern models of air transport distribution, the International Air Transport Association (IATA) and Croatia Airlines organised a workshop entitled *Modern Airline Retailing*, which took place in October 2024 in Zagreb. The participants gained an insight into the latest distribution mechanisms in the form of the New Distribution Capacity and ONE ORDER standard, the

implementation of which significantly simplifies the reservation system and air transport services, along with a gradual transformation of the current ticketing methods.



Š. Lugačarov

The workshop was attended by 20 employees of Croatia Airlines, and the same number from other IATA member airlines.

A large number of employees from different organisational units received training in general IT skills, and training intended for new generations of managers.

Training performance is regularly monitored and evaluated using key performance indicators (KPIs), such as test pass rates, number of employees certified and participant satisfaction with training. Employee feedback is also crucial to the continuous improvement of training.

As the national flag carrier, Croatia Airlines organises at its Training Centre various training courses required by travel and commodity agencies for the IATA licence acquisition, training courses for airport employees, freight forwarders, and airline companies. In 2024, the Company held courses on reservations, tariffs and ticketing for external partners, employees of IATA travel agencies and young people looking to better position themselves on the labour market.

Inclusion and non-discrimination

Croatia Airlines is also committed to providing equal opportunities to all of its employees. The Company's workforce reflects the diversity of the society including women, members of ethnic and national minorities, religious groups and people with disabilities. The equal opportunity principle is enshrined in the Labour Act of the Republic of Croatia. In order to maintain an inclusive and diverse working environment and to prevent all forms of discrimination, Croatia Airlines has implemented strict procedures that cover all aspects of human resources management, from the recruitment process, through incentive schemes, to promotion and retention. The culture of non-discrimination is actively promoted through the Code of Ethics, which is available to all employees on the intranet, the gender equality plan and a special process to protect the dignity of employees.

The recruitment process starts with the selection procedure, where the job description is key to attracting diverse candidates, either from the internal labour market or from the base of job applications submitted through digital systems and social media, as well as through external job listings. Discrimination on the basis of personal characteristics is strictly prohibited. All employees who perform similar work and have similar responsibilities receive equal remuneration packages, regardless of their personal characteristics. This includes equal pay for equal work value, which is particularly important in reducing the gender pay gap. Promotion criteria are clearly defined and communicated to all employees in a transparent manner, ensuring that they are based on fair and consistent assessment. Croatia Airlines also invests heavily in professional development programmes, ensuring that employees have the necessary skills and knowledge, and that all opportunities are available to all employees on equal terms.

Social well-being of employees

Benefits, support and bonuses

Croatia Airlines grants its employees Christmas bonuses, Easter bonuses and holiday bonuses. In addition to regular income, the Company offers its employees various benefits, such as reimbursement of commuting expenses, severance pay upon retirement, support in the event of the death of a close family member, support in the event of prolonged sick leave exceeding 90 days, right to paid leave in the event of child birth, moving home, entering into marriage, schooling, etc. In the event of prolonged sick leave, serious illness or financial hardship, the Company endeavours to help its employees and their families by co-financing the purchase of medicines and medical treatment. It also regularly helps the children of deceased employees through monthly support for their regular schooling.

Furthermore, the Company continued its commendable tradition of recognising the loyalty of its employees by paying jubilee bonuses to those who have completed 25 years of service. A total of 16 employees received this reward in 2024.

Events organised for employees and their children

In December 2024, the employees' children got to enjoy a Christmas get-together at the MiniPolis playroom. The Company also granted its employees a day off on their children's first day of school – the First-graders' Day. These initiatives demonstrate the Company's concern for the balance between family life and work, as they allow employees to spend quality time with their families and support them in their important moments.

Special benefits for employees

Croatia Airlines notifies its employees via its intranet site about its cooperation with a number of business entities (theatres, sports associations, banks, etc.) and offers them the opportunity to use their services at a more favourable price (health services, catering and hospitality services, tickets for cultural events, etc.). They are also offered the possibility of using air transport services for private travels on more favourable conditions.

Flexible working hours and remote work

Administrative staff continue to enjoy flexibility in the start and end of their working days: between 7 am and 9 am, and between 3 pm and 5 pm. Sales representatives and managers, whose activities include Internet and telephone sales, customer service employees and ticketing service employees are allowed to work remotely for the majority of their working hours. Furthermore, all employees working on the same schedule in other positions that allow remote working can opt for it two days a week to balance their private life and business activities in an adequate manner. In this way, the Company attracts and employs younger generations.

Employee structure

The total number of employees includes those of the associated companies Obzor d.o.o. and Amadeus d.d., and the data shown in the table refer to 31 December of the reporting years.

Total number of employees and breakdown by gender

Total number of employees	2024	2023
Croatia Airlines Group	967	935
Croatia Airlines	97.5%	97.4%
Obzor*	1.9%	1.9%
Amadeus*	0.6%	0.6%
Gender structure	2024	2023
Croatia Airlines Group		
Male	52%	53%
Female	48%	47%

Data as of December 31 of the observed years

*Related companies

**The categories "other" and "not reported" are not applicable

Of the total of 943 employees working with Croatia Airlines in 2024, 28 were employees of foreign representative offices and external line stations. In the gender category, 'other' and 'not specified' were not applicable.

A total of 89 people joined the Company, and 57 employees left. The employee turnover rate, i.e. the number of employees who left the Company in relation to the number of employees on 31 December 2024, was 6%. The turnover rate is the sum of employees who left the Company voluntarily, were dismissed, retired or died. This figure is used as the numerator and the average number of employees in the observed year is used as the denominator.

Turnover figures

Employee turnover	2024		2023	
	Men	Women	Men	Women
New hires	51	38	52	31
Departures	37	20	40	33
Total number of employees	500	443	485	426
Employee turnover rate*	7%	5%	8%	8%

Data only for Croatia Airlines as of December 31 of the observed years

*The number of employees who left the company in relation to the total number of employees as of December 31.

Employees by the type of contract

Type of contract	Croatia Airlines group	
	2024	2023
Men	505	491
Women	462	444
Total number of employees*	967	935
Men	477	453
Women	432	423
Total number of employees with a permanent contract	909	876
Men	28	38
Women	30	21
Total number of employees with a fixed-term contract	58	59
Men	503	491
Women	453	438
Total number of full-time employees	956	929
Men	2	0
Women	9	6
Total number of part-time employees	11	6
Men	0	0
Women	0	0
Total number of employees with an uncertain number of working hours	0	0

In 2024, 94% of employees were employed on an indefinite contract basis, and 99% were full-time employees.

Company employees without an employment contract

	2024		2023	
	Men	Women	Men	Women
Number of agency workers	24	0	17	0
Number of self-employed workers	0	0	0	0

Indicators

Collective bargaining agreement

In 2024, 100% of employees were covered by the collective bargaining agreement; a new one was signed in July 2024.

Social security

In accordance with Croatian legislation, all employees are covered by social security against loss of income as a result of any of the following major life events: illness, unemployment (from the moment an employee starts working with the company), injury at work, disability, parental leave and retirement.

Adequate salaries

All employees are paid above the legal minimum. Salaries are in line with the average salaries in the aviation industry in the Republic of Croatia.

Diversity

During the reporting period, nine women were employed in top management positions, representing 56% of the total number of top management positions.

Indicators	Croatia Airlines group	
	2024	2023
Number of women in top management	9	9
Percentage of women in top management	56%	60%
Percentage of employees under 30 years old	14%	13%
Percentage of employees aged 30-50 years	52%	52%
Percentage of employees over 50 years old	34%	35%

Training

Training data table

Indicators	2024		2023	
	Men	Women	Men	Women
Total number of training hours	21,468	6,114	22,247	8,228
Average number of training hours for operational employees per employee	31	5	30	9
Average number of training hours for non-operational employees per employee	6	8	6	10
Average number of training hours per employee and by gender	23	6	24	9
Percentage of employees who participated in regular performance reviews and professional development	9%	10%	24%	16%

Occupational health and safety

In the reporting period, all employees were covered by the occupational health and safety management system. On a total of 1,515,863 hours worked, the rate of accidents at work was 1%.

Work-related injuries and illnesses

Indicators	2024			2023		
	Men	Women	Total	Men	Women	Total
Total number of employees	500	443	943	485	426	911
Total number of annual working hours	850,591	665,272	1,515,863	818,688	629,388	1,448,076
Number of fatalities resulting from workplace injuries and work-related diseases	0	0	0	0	0	0
Number of work-related accidents recorded	5	2	7	3	9	12
Number of work-related accidents related to commuting to and from work	3	0	3	2	2	4
Workplace accident rate (recorded accidents)	1%	0%	1%	1%	2%	1%
Number of work-related illnesses recorded	0	0	0	0	0	0
Number of lost days due to injuries, fatalities from workplace accidents, work-related illnesses, and fatalities due to illness	219	17	236	42	384	426
Total workplace injury rate	5.88	3.01	4.62	3.66	14.30	8.29
Workplace injury rate (excluding commuting to and from work)	2.35	3.01	2.64	1.22	11.12	5.52

Data for Croatia Airlines as of December 31 of the observed years

The rate of accidents at work was calculated by dividing the number of accidents recorded by the total number of employees. The total injury rate was calculated by dividing the number of recorded accidents by the total number of hours per gender and multiplying by 1,000,000. Excluding commuting, the rate of injuries at work, i.e. the difference between the number of recorded work-related accidents and the number of commuting accidents, is divided by the total number of hours and multiplied by 1,000,000.

Employees on family leave

Indicators	2024			2023		
	Men	Women	Total	Men	Women	Total
Total number of employees who used family leave	10	22	32	21	29	50
Total number of employees who returned after completing family leave	9	10	19	19	14	33
Total number of employees retained 12 months after returning to work following the use of family leave	9	8	17	18	12	30

Data for Croatia Airlines as of December 31 of the observed years

All employees have equal development and promotion opportunities, regardless of whether they take parental leave. Pursuant to the Labour Act and internal regulations, all employees are entitled to family leave.

Flexible working hours and remote work

Employees working from a remote location

Indicators	2024			2023		
	Men	Women	Total	Men	Women	Total
Total number of employees working remotely	7	41	48	6	33	39
Total number of employees working remotely under Article 17 of the Labour Act	1	11	12	2	10	12
Total number of employees allowed to work remotely up to 2 days per month	57	171	228	60	175	235

In order to promote a good work-life balance, the Company has introduced flexible working hours for non-operational activities, both in terms of arrival and departure, as well as the possibility to work remotely from time to time. A total of 228 employees were offered the opportunity to work remotely during the year. During the reporting period, one case of discrimination was reviewed and resolved - on the merits - within the company without the need for a judicial review of the Committee's findings. Accordingly, there were no sanctions, penalties or damages in relation to harassment, i.e. discrimination. There were no complaints made through the internal channels for employees to the designated person under the OECD Guidelines and therefore no penalties, sanctions or compensation. The Company continues to promote equality, transparency of processes and a safe working environment for all employees. There were no serious incidents related to human rights violations, resulting in no penalties, sanctions or compensation.

Goals and planned activities

Social issues and human rights	Target values
Safe jobs	Maintain a high percentage of the workforce with permanent contracts and ensure continuous provision of social protection to employees, with regular monitoring and adjustment of working conditions to maintain the current level of security and stability.
Working hours	Maintain existing flexible working time options for better work-life balance, which leads to higher productivity due to employee satisfaction and stress reduction.
Appropriate wages	Ensure that all employees receive salaries in line with industry and social standards, ensuring a sustainable standard of living, known as a decent income, and ensuring fair compensation according to responsibility, experience, and contribution to the organization.
Social dialogue	Enhance communication transparency through open dialogue channels between management and employees via collective bargaining, participation in workers' council meetings, and ensuring a central person for communication with trade unions and the workers' council. To promote participatory decision-making, meetings with unions and the workers' council will be held on important matters. Furthermore, to ensure effective implementation of the collective agreement, the Collective Agreement Interpretation Commission will continue to meet as needed upon request by any party to the agreement.
Freedom of association	As a result of supporting workers' rights, support organizationally and technically the right to freely organize and join trade unions and higher-level union associations, and through collective bargaining, maintain 100% of employees covered by the collective agreement, implementing agreed measures from the collective agreements, and ensuring credible interpretations of disputed provisions through the Joint Collective Agreement Interpretation Commission.
Work-life balance	Maintain the existing practice of working from home for administrative staff (2 days per month) and continuously evaluate and improve additional measures to support work-life balance based on feedback and the needs of the workforce.

Social issues and human rights	Target values
Health and safety	Reduce workplace injury rates through regular safety training and continuously improve safety measures in the workplace through the work of the occupational safety committee. Ensure consistent implementation of collective agreement provisions, including mandatory health checks for all employees to further protect their health and well-being. Work on participatory wellbeing projects (collaboration with sports institutions, Multisport, etc.), preventive vaccination against seasonal diseases, and education on the importance of mental health within the pilot peer support program.
Gender equality	Continue the practice of ensuring equal pay for equal work based on job classification, regardless of the employee's gender. Maintain the existing practice of providing equal opportunities for all candidates during the recruitment and promotion process, regardless of gender, and further promote gender balance at all organizational levels, including leadership positions. Continue working to eliminate gender bias and stereotypes in all aspects of work and support established mechanisms for preventing and banning sexual harassment.
Training and skills development	Increase the number of employees involved in training programs to enhance professional competencies, develop digital skills needed for digital transformation, and promote the importance of continuous education.
Employment and inclusion of persons with disabilities	Maintain the current standard of guaranteeing non-discrimination in the selection and employment of people with disabilities and ensure clear support through business cooperation with organizations that predominantly employ people with disabilities.
Measures against violence and harassment	Regularly ensure confidential and accessible channels for reporting incidents, with clear procedures for investigation and decision-making within anti-discriminatory actions, and provide protection and psychological support for victims of harassment.
Promotion of internal career development opportunities	Regularly conduct internal competitions to enable internal advancement and transfers to different positions.

Impact on the local community

Croatia Airlines recognises the impact of its activities on the local community and aims to maximise the benefits for the community members. It actively seeks opportunities to cooperate with local communities in promoting tourism, local employment and skills development, by participating in cultural events or charity projects and actions.

Contribution to the local community is mandated by the Sponsorship and Donations Policy, positively affecting the development of Croatian society and economy.

Positive contribution to the tourism and economy of the Republic of Croatia is defined by the Company's mission and vision, which are stated in the first chapter: General information.

Communication channels for the local community include formal channels such as official publications, meetings with local governments, and digital channels such as the website and social media. Cooperation also takes the form of various joint projects and sponsorships, with the aim of achieving two-way communication, informing the community of the Company's contribution, while at the same time solving problems and strengthening relationships.

Processes for remediation of negative impacts and channels for affected communities to raise concerns have not been set up yet, as no negative impacts on the local community are expected. No local community targets have been set for the reporting period.

Contributing to the economy and tourism of local communities

Croatia Airlines recognises the importance of maintaining strong relationships with local communities it serves, as well as its contribution to wider social development. As the national flag carrier, it not only connects Croatia with the rest of the world, but its flights also contribute to the development of local infrastructure, tourism and economy, as well as to better accessibility and connectivity of regions, both at the national and international level. Croatia Airlines makes it possible for local airports to be open all year round, ensuring excellent connectivity for all passengers. By offering direct international flights from Croatia's main airports, the Company also enables a greater inflow of tourists, which has a positive impact on the local economy and tourism.

Croatia Airlines' flight network connects Zagreb, Split, Dubrovnik and other Croatian cities with major international destinations, providing local communities with access to global markets and resources. In this way, it contributes significantly to the development of tourism and creates business opportunities for Croatian companies that rely on air transport to reach international markets.

Croatia Airlines actively promotes Croatia as a tourist destination through various marketing campaigns and cooperation with local tourist boards, highlighting the country's stunning natural and cultural attractions.

As part of the Inspired by Croatia project, Croatia Airlines offers its passengers quality meals that promote the country's cuisine based on traditional recipes and ingredients. The airline's in-flight magazine Croatia also promotes the country's natural gems, heritage and

cultural events. Also, films promoting various Croatian regions are shown on Airbus flights.



Contribution to the economy

In addition to its own employees, Croatia Airlines indirectly supports about 3,000 jobs through its network of suppliers, associates and partners. This has a significant impact on economic development, not only in the aviation sector, but also in related activities. By regularly paying taxes, contributions and other levies in line with the applicable regulations, Croatia Airlines contributes to the state budget and the financing of public services that are essential to the daily lives of citizens. The Company also ranks among the top Croatian importers.

Croatia Airlines' cooperation with the Government of the Republic of Croatia and its role in crisis situations

Croatia Airlines has been working closely with the Government of the Republic of Croatia for many years, particularly in crisis situations such as natural disasters or global health crises, when it provides fast response and organises emergency flights. This was even more pronounced during the coronavirus pandemic, when the Company

operated repatriation flights, enabling the return of Croatian citizens from abroad and transporting medical equipment and other essential supplies. This level of cooperation shows how much Croatia Airlines contributes to the stability of the community, offering safety and reliability in difficult times.

Local recruitment and skills development

Croatia Airlines actively cooperates with educational institutions in the local community through cooperation on educational programmes and training aimed at preparing members of the local community to potentially become Company employees. This initiative aims to secure and expand the base of future licensed employees, given the dynamics and openness of the European labour market and the frequent migration of licensed experts to stronger markets, both within Europe and globally. The cooperation with educational institutions covers various aspects of education and is particularly focused on the programmes intended for pilots, aeromechanics and other operational personnel. Croatia Airlines not only actively participates in the development of curricula, but it also provides training for high school and university students. This approach gives young people the opportunity to gain valuable experience and skills essential for success in the airline industry, while at the same time providing Croatia Airlines with access to talented and qualified candidates ready to respond to market challenges. Ultimately, the cooperation between Croatia Airlines and educational institutions not only contributes to the development of human resources within the Company, but it also strengthens the local community by creating new employment opportunities and encouraging the development of skills necessary for a successful work in the dynamic aviation sector.

ECONOMIC CONTRIBUTION

CONNECTIVITY

- ✓ In 2024, the company directly connected Croatia with 20 countries worldwide and 27 international destinations
- ✓ Croatia Airlines ensures year-round accessibility of Croatian airports and excellent connectivity for all passengers throughout the year
- ✓ The company contributes to the development of tourism in general, as well as to business/congress tourism, which has been one of the fastest-growing tourism segments in recent years (in terms of total conferences held, Croatia ranks as the 33rd destination globally and 20th in Europe, with Zagreb, Split, Opatija, and Dubrovnik as the most significant congress cities).

PROMOTION OF CROATIAN GASTRONOMY, CULTURE, ATTRACTIONS, AND DESTINATIONS

- ✓ Passengers on flights are presented with Croatian cuisine through meals based on traditional recipes and local ingredients
- ✓ The in-flight magazine plays an important role in the company's corporate visual identity and serves as a strong promoter of Croatia. It showcases Croatia as a brand, with a focus on natural beauty, history, and cultural events
- ✓ During flights, Airbus aircraft display tailored programs and Croatian destinations on onboard video screens
- ✓ Croatia Airlines supports sports in Croatia and is the official air carrier of the Croatian Olympic Committee, thereby contributing to the promotion and visibility of Croatia
- ✓ Croatia Airlines also supports cultural events

- ✓ By purchasing goods and services from domestic suppliers, Croatia Airlines supports approximately 3,000 additional jobs
- ✓ The company contributes to the functioning of numerous sectors essential to the lives of Croatian citizens through the regular calculation and payment of taxes, contributions, and other obligations in accordance with applicable regulations
- ✓ Croatia Airlines is listed among the largest domestic exporters.



COMMUNITY SUPPORT

- ✓ Croatia Airlines strives to support institutions in need of humanitarian aid, as well as those organizing humanitarian projects
- ✓ The company consistently provides direct assistance by transporting patients, children, or individuals in need, and participates in charitable initiatives by donating transport services

COOPERATION WITH THE GOVERNMENT OF THE REPUBLIC OF CROATIA AND ROLE IN CRISIS SITUATIONS

- ✓ Croatia Airlines continued operations during the extraordinary circumstances of the COVID-19 pandemic. As the national carrier, it reaffirmed its role as a strategic component of Croatia's transport infrastructure, contributing to transport connectivity, the national economy, and citizens—especially evident in 2020
- ✓ From the onset of the crisis, the company was available to the Government of the Republic of Croatia for the organized transport of humanitarian aid, the return of Croatian soldiers from Afghanistan, and several repatriation flights from various parts of Europe
- ✓ Croatia Airlines has always been—and will continue to be—available to the Government of Croatia for transport needs in the event of various global and regional crises

LOCAL EMPLOYMENT AND SKILLS DEVELOPMENT

- ✓ Cooperation with educational institutions within the local community
- ✓ Focus on vocational programs in the aviation sector
- ✓ Practical training for students and high school pupils
- ✓ New employment opportunities for members of the local community

Helping the community

Croatia Airlines has been an active participant in sponsorship and donation programmes for many years, supporting various segments of society, including education, science, sports, culture and charity projects. Through donations, sponsorship and partnership programmes, the Company aims to contribute to the community development and help people in need.

Through its donation programmes, Croatia Airlines supports charitable organisations and initiatives aimed at vulnerable groups, including children, the sick and people with disabilities. Granting cost-free or subsidised flights for medical emergencies is an invaluable part of its corporate social responsibility.

For many years, the Company has been the official airline of the Croatian Olympic Committee, the Croatian Paralympic Committee and the national football team, providing vital support for Croatian athletes at international competitions. Through such partnerships, the Company not only contributes to the global promotion of Croatia, but also supports the development of sport at the national level.

Croatia Airlines also promotes cultural initiatives, such as supporting art projects and festivals, thus contributing to the preservation of Croatian cultural heritage. By sponsoring cultural events, such as concerts, theatre performances and exhibitions, the Company actively contributes to the promotion of cultural values and Croatia as a destination with an impressive cultural heritage.

In line with its internal rules and regulations, Croatia Airlines does not provide sponsorship, donations or grants to political parties and state organisations, or to organisations which promote racial, gender, religious, minority or any other form of discrimination:

<http://www.croatiaairlines.com/hr/O-nama/Korporativne-vrijednosti/Sponzorstva-i-donacije>.

Benefits for the local community

Since January 2024, the Company has been supporting the Croatian Tourist Card project in cooperation with the Obzor putovanja travel agency, and with the aim of enabling faster and more comfortable travel with numerous discounts and benefits. In this way, the Company is directly supporting this project, initiated by the Government of the Republic of Croatia and the Ministry of Tourism and Sports, which aims to provide more Croatian citizens more affordable hospitality and tourism services in entire Croatia throughout the year.

Croatia Airlines is also continuing its cooperation with the Ministry of Demography and Immigration on the Mudrica – children's e-card project, which offers families with children discounts on various goods and services, i.e. in the case of Croatia Airlines – discounts on airline tickets.

During the Career Day at the MiniPolis playroom, the Company's cabin and flight personnel introduced themselves to the children and familiarised them with their professions.

Croatia Airlines actively supports athletes in major competitions, and in the summer of 2024 it flew and hosted Croatia's top athletes who participated in the Olympic and Paralympic Games in Paris.

The Company continues to cooperate with the nearby city of Velika Gorica – the City of Aviation, and regularly participates in major events related to aviation. In March 2024, the Company participated in the Career Days of the Velika Gorica Polytechnic, presenting itself to students as a potential employer.

In May 2024, it presented itself at the Aviation Day at Zagreb Airport. Croatia Airlines actively cooperates with the Aeronautical Technical School Rudolf Perešin, whose students complete an internship in the Technical Sector, with the possibility of employment upon graduation.

Croatia Airlines also successfully cooperates with the Faculty of Mechanical Engineering and Shipbuilding and the Faculty of Transport and Traffic Sciences in Zagreb. Some of the Company's employees are guest lecturers in certain courses at the Faculty of Transport and Traffic Sciences.

The Company has for many years been presenting itself to students at the Career Days of the Faculty of Mechanical Engineering and Shipbuilding as a potential employer, and every November it rewards students with airline tickets through its regular prize contest.

In this way, the Company maintains longstanding cooperation with the educational system, putting know-how and skills into practice by recruiting highly specialised personnel.

Croatia Airlines participated in the panel discussion on employment trends in the transport sector, organised by the Croatian Chamber of Economy, and cooperated with the key entities from other segments of the transport sector in Croatia, seeking common solutions and answers to current problems.



Š. Lugarov

Safety and security

Croatia Airlines has defined approach to the management of material impacts, risks and opportunities related to operations safety and passenger security through the following policies:

- Safety policy (operations);
- Security policy (passengers, crews, employees).

Safety policy

Safety is of paramount importance in all segments of Croatia Airlines' operations. There can be no compromise on safety. The Company is committed to developing, implementing, maintaining and improving the Safety Management System to ensure that all of its activities are carried out in accordance with the balanced distribution of its resources. It also guarantees a high level of aircraft maintenance that meets the highest standards of the global airline industry, complies with all applicable regulations and standards and continuously invests technical resources to ensure that safety criteria are given priority in all business segments.

Croatia Airlines aims to reach the highest safety performance level and compliance with national and international standards, as described by the Safety Policy adopted by the Management Board and applied to all employees. The Safety Policy is reviewed on an annual basis by the Safety Review Committee, to ensure its relevance and compliance with the highest industry standards. The Safety Policy is available to employees on the intranet. It sets out the Company's safety-related obligations:

- Safety management is the primary responsibility of both management and employees, ensuring a shared commitment to safety at all levels;

- Development and application of a safety culture in all aviation activities, which promotes safe practices and effective communication about safety; every employee has a responsibility to report information that may affect flight safety;
- Setting up a just culture within the Company, based on not penalising employees for mistakes made due to inexperience or lack of training, except in cases of gross negligence and intentional breaches where liability must be accepted;
- Protection of the identity of employees who report safety incidents through an established reporting mechanism within the limits prescribed by law;
- Clearly defining the roles and responsibilities of employees in enforcing safety policies and procedures, and providing adequate training so that everyone has the knowledge necessary to perform their assigned tasks safely;
- Providing a sufficient number of qualified and trained employees with competence in aviation safety matters, and continuous professional development;
- Compliance with legal, regulatory and corporate requirements and exceeding such standards wherever possible;
- Implementation of hazard identification and risk management processes, including a hazard reporting system, with the aim of eliminating the risk or reducing it to an acceptable level;
- Ensuring that the systems and services of external suppliers that affect the safety of our operations meet applicable regulatory and safety standards;
- Measuring and monitoring safety performance against clearly defined indicators and targets;

- Continuous improvement of safety performance through management processes that ensure relevant actions are taken and are effective.

All levels of management and employees are responsible for achieving the highest level of safety performance, with safety embedded in all aspects of the business. Such an approach ensures that safety is not just about complying with legal and industry regulations, but also about actively contributing to corporate sustainability through prevention and planning.



Š. Lugačarov

Security policy

Croatia Airlines has an established security policy based on the following principles: priority protection of passengers, crew, employees, aircraft and property, for which every employee is responsible. Everyone in the Company, regardless of their position, must contribute to maintaining the highest standards of protection. With this policy, the Company undertakes to do the following:

- Comply with all relevant national and international regulations;
- Adopt best industry practice; and
- Improve the Security Management System (SeMS) and security culture.

The policy has been adopted by the Management Board and the person responsible for its implementation is the Security, Benefits and Fraud Prevention Manager. The policy applies to all employees and is available on the intranet. The security system is continuously validated and improved through regular internal monitoring and supervision by relevant national and international organisations, including regular audits and inspections by the Croatian Civil Aviation Agency (CCAA). Furthermore, both policies provide for the setting of targets to measure safety and security performance and the establishment of a reporting system, and ensure the free exchange of security information within the Company to enable performance monitoring. The Company provides resources for the application of these policies and raises awareness of safety among employees and external partners through standard procedures used in daily operations. The policies are reviewed on a regular basis to ensure that they reflect changes and Company needs.

Quality management system

Croatia Airlines has set up an integrated quality system that meets the requirements of the following standards: Air Operation Regulation, EASA Part 145, EASA Part 147, EASA Part CAMO, Aircrew Regulation, Directive 2003/87/EC (EU ETS) and ICAO Annex 16 (CORSIA), ISO 9001, ISO 50001, ISO 14001 and ISO 27001. The quality system covers all organisational units of Croatia Airlines and their processes.

With the safety and security policies, Croatia Airlines is committed to compliance with applicable regulations and safety standards.

CROATIA AIRLINES' QUALITY MANAGEMENT SYSTEM



Compliance with regulations and safety standards

Air Operation Regulation CR (EU) 965/2012	The Air Operator Certificate confirms that Croatia Airlines is authorized to perform commercial air transport operations, as outlined in the relevant operational specifications, in accordance with applicable regulations.
EASA Part 145	Confirmation from the maintenance organization, in accordance with relevant requirements, certifies that it is approved for the maintenance of products, parts, and equipment listed in the approval conditions and for issuing the corresponding certificates for release and certificates of airworthiness.
EASA Part 147	Approval of the training organization and testing procedures for maintenance areas.
Certificate for Approved Training Organisations (ATO)	Certificate from the approved training organization (ATO) in accordance with Commission Regulation 1178/2011, part ORA, with privileges to conduct courses for part FCL, including the use of FSTDs, in line with the approved training courses.
Part CAMO	Certificate from the organization for the management of continuous airworthiness.
IOSA Operator	Croatia Airlines has been successfully registered as an IOSA Operator within the IOSA (IATA Operational Safety Audit) program.
ISO 9001:2015	Certificate confirming that Croatia Airlines applies a quality management system in passenger, cargo, and mail air transport, aircraft maintenance, and aviation personnel training.
ISO 14001:2015	Certificate confirming that Croatia Airlines applies an environmental management system in passenger, cargo, and mail air transport, aircraft maintenance, and aviation personnel training.
ISO 50001:2018	Certificate confirming that Croatia Airlines applies an energy management system in passenger, cargo, and mail air transport, aircraft maintenance, and aviation personnel training.
ISO 27001:2022	It has been confirmed that Croatia Airlines meets the requirements for ISO 27001:2022 for the following scope of activities: IT support in the reservation and check-in process.

General approach to human rights

Passengers' rights to safe transport, equal access to services and right to privacy are guaranteed by the Security Policy and the Personal Data Protection Policy. Policies related to the management of potential impacts on passengers are in line with internationally recognised instruments, including the UN Guiding Principles on Business and Human Rights, legal regulations of the countries served by Croatia Airlines and professional standards. No issues or cases concerning passenger human rights were reported in the reporting period.

Activities and indicators

Safety Management System

Croatia Airlines' Safety Management System has been set up to ensure efficient and effective evaluation of safety-related events and disclosures of related information. One of the main functions of the system is to achieve and maintain a high level of safety and awareness of the risk the operational staff is exposed to. Hazard identification and risk management, including risk assessment, are an integral part of the Safety Management System (SMS), which demonstrates the intended purpose of the system itself: to go beyond mere Safety by Compliance – to establish a positive safety system culture at Croatia Airlines (Prevention by Planning). The system is designed to be proactive when it comes to safety, i.e. predictive in order to detect system deficiencies within the Company.

The measurement of SMS performance includes the definition of performance indicators, targets, alert values and action plans on an annual basis.

Flight Data Monitoring program (FDM)

Croatia Airlines has set up a Flight Data Monitoring program (FDM) for all aircraft in the fleet. Its primary goal is to use data about scheduled flight operations for the purpose of increasing flight safety. All corrective actions defined on the basis of data monitoring are aimed at preventing their recurrence, changing undesirable trends and gaining new operational knowledge. All data used in the program will be de-identified.

Internal and external supervision

Croatia Airlines implements internal supervision of the quality management system with the aim of ensuring compliance with relevant requirements (regulatory, industry and Company) in all organisational units. Regular internal audits of all organisational units of Croatia Airlines are carried out at planned intervals, at least once in two years.



Š. Lugačarov

Depending on the impact of the procured goods/services on the passenger, goods and mail transport services, Croatia Airlines has established certain procedures to ensure that the procured goods/services meet the specified order requirements, in line with the safety requirements and aviation standards. Therefore, the supervision programme also covers handling agents.

The Company plans and carries out extraordinary audits and inspections as needed, depending on the status and criticality of the process and area being audited, results of previous supervisions, etc.

The audit programme is planned for every year, and approved by the President of the Management Board. In 2024, 97% of the planned audits were carried out.

In addition to internal audits, Croatia Airlines plans and carries out audits of certain activities, events, documents, etc., to check if the prescribed activities have been carried out and if the set standard levels have been reached.

When it comes to external audits, the IOSA audit (IATA Operational Safety Audit) should be mentioned as the most complex audit in the industry, which takes place every two years, the same as the IOSA carrier registration. Other key audits involve aviation authorities, certification companies and partner companies in line with the standards by which Croatia Airlines is certified, i.e. business relationships with other airlines or business partners.

Management Review and Safety Review Board

Croatia Airlines' quality management system is reviewed at the Management Board meeting at least once a year, and more often if necessary, in order to check its suitability, efficiency and compliance with the Company's strategic guidelines. The Management Board's assessment also includes an

evaluation of opportunities for improvement and the need for changes to the quality management system, including the quality policy and objectives.

Fatigue risk management

The International Civil Aviation Organization (ICAO) defines fatigue as a physiological state of reduced mental or physical performance capability resulting from sleep loss or extended wakefulness, circadian phase and/or workload that can impair a crew member's ability to safely operate an aircraft or perform safety-related operational duties. As the risk of fatigue is analysed and identified as a potential hazard for the safety of air operations, appropriate risk mitigation measures are adopted and implemented. A group named the Fatigue Safety Action Group (FSAG) has been formed to help manage all fatigue-related risks. The FSAG members gather and analyse data and draw up risk assessment reports related to the level of fatigue of flight crew members, outline recommendations and measures for reducing the fatigue risk, cooperate with the Safety Department on devising safety assurance processes, provide training guidelines and material to crew members. A total of 89 reports were processed and analysed in 2024, which is 22% less than in 2023, when there were 114 reports.



S. Lugařov



An electronic fatigue report form has been in use within the Q-Pulse quality management system since 2020. As it can be filled out through a mobile application, intranet (Crew portal) or the Internet (web browser), paper-based fatigue reports

are no longer used.

In 2024, the Company prepared a booklet titled *Night shift: Practical tips for conquering fatigue*, with the aim of presenting fatigue risk countermeasures to aircraft crews.

ERCM - Emergency Response and Crisis Management

Despite all the safety and security measures the Company has in place, the possibility of adverse events should also be taken into account. In order to ensure a continuous level of preparedness, Croatia Airlines has for many years been managing an emergency response and crisis management system.

The Office for Emergency Response and Crisis Management (ERCM) is responsible for planning, devising and testing plans and procedures, and training a variety of teams that are crucial for crisis response. Its primary task is to take care of passengers, their families, crew members and other employees in case of an aircraft accident, an incident or any other crisis situation.

The Office carried out the following activities in 2024:

- Revised the manual and work instructions related to ERCM
- Actively participated in the work of the Permanent Search and Rescue Coordination Unit (national level)
- Provided regular basic and recurrent ERCM training for Croatia Airlines' operational staff
- Procured, completed and distributed equipment for the members of the Special Assistant Team (SAT).

In 2024, there were no accidents or incidents resulting in serious injuries or fatalities.

Cybersecurity

Croatia Airlines implements best practices to reduce the data protection risks and comply with regulatory standards. Under the NIS1 Directive, the Company was classified as an operator of essential services, and had to meet certain security requirements in accordance with the national Regulation on Cybersecurity of Operators of Essential Services and Digital Service Providers. With the adoption of the then Act on Cybersecurity of Operators of Essential Services and Digital Service Providers from 2018, the Company started with the implementation of all necessary activities for compliance purposes.

In 2024, Croatia Airlines obtained was certified according to the ISO27001 standard. The certification process required the improvement of key cybersecurity processes and procedures, network security, data protection, improvement of existing and drafting of new documents (regulations, processes, procedures, work instructions, forms), advancement of information system risk management and business continuity risk management, all in accordance with the ISO27001 Compliance Plan. The information security management system certification according to

ISO27001:2022 standard included accreditation and certificate issuance in 2024, as well as supervision audits planned for 2025 and 2026. The Audit Plan for the information security management system was defined with the aim of monitoring ISMS implementation progress for all ISO27001/27002 controls on the basis of the 2022 standard version and checking the implementation of existing recommendations from internal and external audits.

The Company regularly meets all PCI DSS standard compliance requirements, including regular penetration tests attested by ASV. The purpose of the tests (at least quarterly) is to identify vulnerabilities and configuration errors. Reports are regularly delivered to relevant partners. The Company regularly deploys system patches, monitors system functioning and the availability of all IT systems. Any potential incident is dealt with as soon as it is identified. Mandatory reporting on cybersecurity incidents takes place in accordance with the provisions of the 2018 Regulation, and remains in effect until a new notification on categorisation is received. Croatia Airlines has defined the recovery management process and the information system recovery plan, with clearly defined roles and responsibilities, strategy, parameters, key elements and implementation.

The Company regularly monitors IT risks, conducts a regular annual IT risk assessment, on the basis of which it makes decisions on risk control measures to be taken and specifies measures for monitoring the identified risks. The Company has implemented the information system risk management process and risk assessment methodology, as well as the information security incident management process and the incident response plan. It organises training to raise employee awareness of security issues. It reports to the Management Board at least annually on IT activities and the status of compliance with regulatory requirements.

External auditors have concluded that the Company has reached high level of compliance with the previous version of the NIS Directive and the Act on Cybersecurity of Operators of Essential Services and Digital Service Providers from 2018.

Passenger health

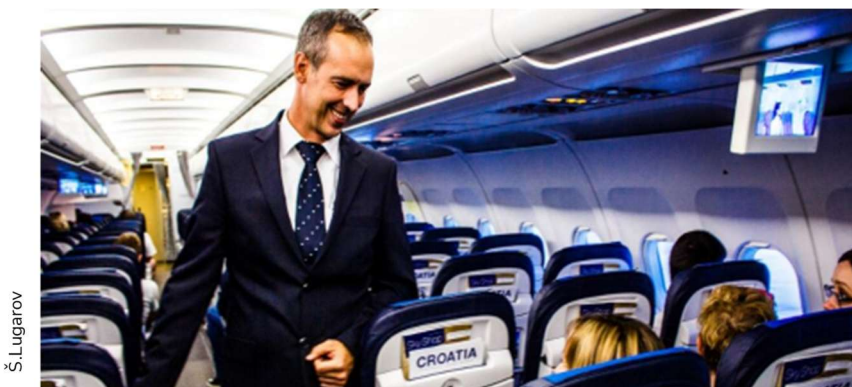
In order to protect the health of the Company's service users, all food and beverages served on flights must meet certain health standards.

Croatia Airlines regularly checks and supervises the work of all entities participating in the processes of procurement, storage, preparation and delivery of in-flight meals, as regulated by the Croatian laws and associated regulations. The basic acts are: Food Act, Act on General Use Items, Veterinary Act, Act on the Protection of the Population from Infectious Diseases, and Act on the Provision of Food Information to Consumers. Sanitary inspectors are responsible for ensuring the implementation of relevant laws and regulations.

Cabin crew must comply with the provisions of the Act on the Protection of the Population from Infectious Diseases. They are required to obtain sanitary certificates, which must be renewed every year, and to attend training courses on minimum hygiene standards every five years. Cabin crew members who come into direct contact with passengers and ground personnel wear appropriate protective equipment, aircraft are disinfected daily, advanced hygiene measures are taken during the regular cleaning of the passenger cabin, and various disinfectants are made available to staff.

Passenger and end user satisfaction

Croatia Airlines' activities are user-oriented and focused on operational stability and the provision of high-quality services during travel. A reliable network of flights for desired travels and a high-level user service are crucial for maintaining a long-term relationship with users and their trust, with the simple and flexible processes enabling a better adaptation to individual passenger needs.



Š. Lugařov

Sustainability and inclusiveness in air transport

In line with its commitment to social responsibility and sustainable development, Croatia Airlines pays special attention to the sensitive category of passengers. Through tailored services for people with disabilities, the elderly, pregnant women and unaccompanied children, the Company promotes inclusion and equality in air travel.

Passengers with reduced mobility are entitled to free assistance, including the use of wheelchairs, while passengers with impaired hearing or vision can receive free assistance at the airport and during the flight. These efforts are

aimed at making a positive impact on the society, reducing barriers to mobility and ensuring safe and comfortable transport for all passengers.

Special attention is given to unaccompanied children, by organising a safe travel from start to finish, and to passengers with medical conditions who require medical assistance. These inclusive initiatives are key to achieving sustainable development goals, particularly in the context of corporate social responsibility.

Activities and indicators

Reliability and punctuality of operations

A high level of reliability and punctuality of operations is the main prerequisite for operational stability, which is the basis for a satisfactory travel experience. In order to achieve this, Croatia Airlines has set up processes that include coordinated planning and cooperation between operational areas and all stakeholders, including partners, i.e. airports and air control. Daily flight operations are supervised by Croatia Airlines' Operations Centre, which manages all operational processes. Based on regular reports on operational performance, the Operations sector identifies areas requiring action and initiates such action to improve operational stability. The operational services meet to discuss the current performance status, identify areas for improvement and define common goals.

Croatia Airlines' operational stability cannot be achieved solely within the Company, as it continues to face labour shortages in various segments of the aviation sector, and disruptions in the supply chain for spare parts. In such complex circumstances, in addition to internal operational improvements, it is necessary to find broader solutions to enable the entire aviation system to efficiently cope with a growing number of passengers.

Optimised product planning and improvement processes play an important role in stabilising flight operations and improving operational procedures. The hiring of new pilots and seasonal cabin staff has enabled Croatia Airlines to expand its summer operations in response to a growing demand for travels.

An ongoing dialogue with key stakeholders in the airline system enables timely introduction of changes when planning operations, ensuring their fast application in practice.

Departure punctuality and flight regularity are the key indicators for assessing the operational stability of an airline. According to international standards, all flights that start moving towards the runway no later than 15 minutes after the scheduled departure time are considered punctual. Croatia Airlines aims to ensure that 80% of all flights are on time. Regularity is the percentage of flights that have not been cancelled for operational reasons within a short period of time. Croatia Airlines aims to operate at least 99% of all flights scheduled 72 hours in advance.

In 2024, departure punctuality was 73.7% (in 2023: 78%), and regularity was 98.7% (in 2023: 98.9%). The performance indicator improvement was limited, mainly due to delays caused by insufficient capacities at Eurocontrol and individual airports, as a result of labour shortages, aircraft maintenance and propagated delays.

Meals for passengers

As the national flag carrier and a company that continuously works on improving its services, our goal is to make flights even more pleasant and introduce the riches of Croatian cuisine to our passengers. All meals and beverages on our flights are free of charge and the service depends on whether it is an international or domestic flight, flight class and flight duration. Business class passengers can enjoy special meals, in line with their health and religious requirements, and there are also meals for children, and other special meals.



Gold Track Security

Business class passengers and members of the Star Alliance Gold programme have access to Gold Track Security at selected airports. It provides priority pass through security checks, which reduces congestion and optimises airport processes, and results in reduced energy footprint and time spent at security checkpoints. These initiatives not only enhance service quality, but also support sustainable development goals by reducing the strain on resources.

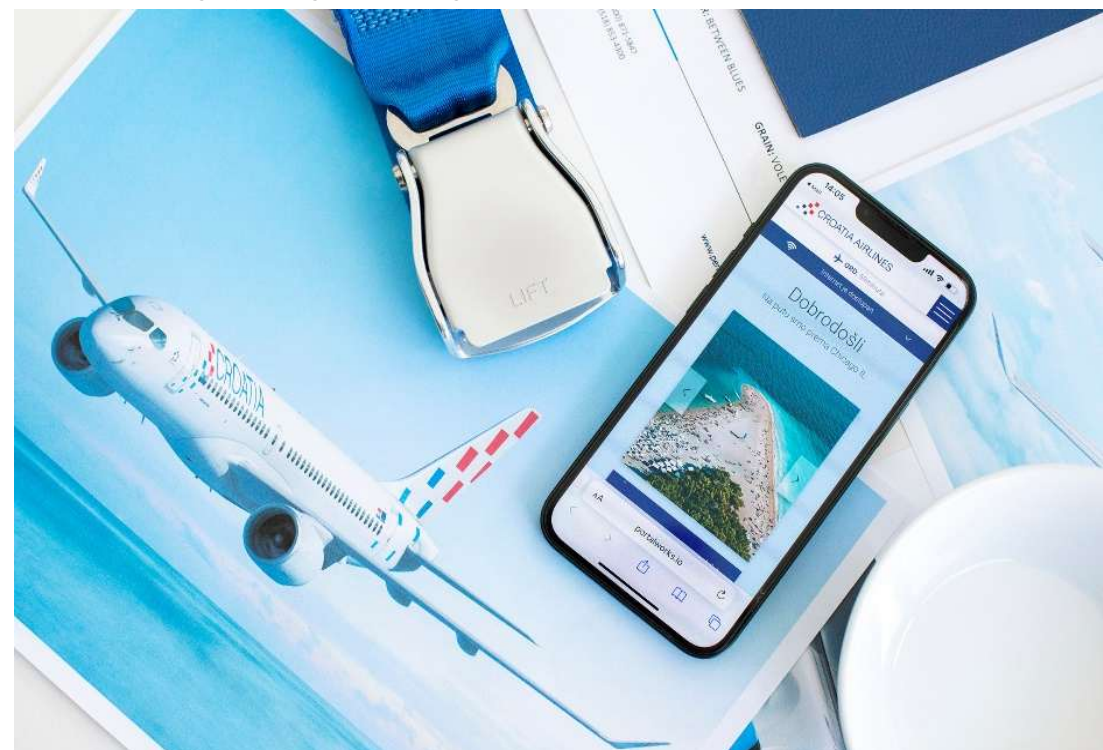
User-oriented service

Croatia Airlines continuously advances and develops user services.

The Company launched the Fly & Rail service on its website, which allows users to purchase air and rail tickets in one place for certain destinations in Germany and Switzerland. Furthermore, after introducing ticket payment via the Keks Pay application on Croatia Airlines' website, the Company plans to introduce additional payment methods, such as PayPal, Google Pay, and AirCash. The implementation of the Company's webpages in Swedish was completed in July, and the baggage tracking service was implemented in November, enabling the users of Croatia Airlines mobile application to track the status of their baggage. The Time to Think service was implemented in the majority of sales channels, and its deployment in the online sales channel is envisaged for early 2025.

In order to offer a better and more complete service, Croatia Airlines is introducing seat selection for a fee on its partner flights. In September 2024, interlining and Electronic Miscellaneous Document (EMD) issuance for Advanced Seat Reservation (ASR) with United Airlines was activated.

Seat billing has been available on UA sales channels for OU operating and OU operating / UA marketing flights since 8 January 2025. In 2024, the Company activated Interline Electronic Ticketing (IET) with its partners Flydubai, APG Airlines, and Lufthansa City, thus expanding its network of flights. The implementation of IET with APG Airlines makes it possible to sell tickets in combination with carriers with which it does not have an IET agreement, as well as to sell Croatia Airlines flights in markets where it does not have a physical presence. Croatia Airlines also intensified activities within the project of charging baggage through the Departure Control System (DCS), making it possible to charge excessive carry-on baggage (in terms of number or weight) straight at the gate. In September, the Wallet Push



notification option was implemented to inform passengers of flight-related changes in a timely manner via mobile devices, and the Automated Document Check (ADC) service was migrated to the latest IATA TIMATIC IV version, improving the service for checking travel documents and requirements for entry to other countries during flight check-in on all check-in channels.

In cooperation with its partners, Croatia Airlines launched the e-Journals service in August, enabling its passengers to use digital media. With the introduction of digital media content services on all flights, Croatia Airlines has taken a significant step towards sustainability and improved passenger satisfaction by providing access to a wide selection of digital magazines and media on their personal devices. The service is available within Croatia Airlines' mobile applications for iOS and Android devices.



Croatia Airlines' new Airbus A220 fleet is equipped with WiFi, enabling passengers to stay connected, do their work, surf or communicate during the flight. Each seat in the new A220 aircraft fleet has USB-A and USB-C ports, and practical smartphone and tablet mounts for an even greater level of comfort.

Loyalty programmes

Through an innovative award approach, Croatia Airlines combines comfortable travelling with sustainable practices that reduce environmental impact and strengthen Croatia Airlines' image among passengers as a socially responsible company.

Through Miles & More, the largest loyalty programme in Europe, Croatia Airlines offers its passengers reward miles and promotes sustainable passenger practices. Passengers can earn miles on flights and by using the services of sustainable partner companies, such as sustainable hotels or 'green' car rental, which helps reduce greenhouse gas emissions. The programme also enables members to redeem their miles for eco-friendly products at the World Shop, and thus support the circular economy and sustainable consumption. Linking travel and reward services, such as green car rentals and stays in green hotels, helps to reduce negative environmental impacts, while offering passengers to choose from numerous sustainable travel options. In this way, the Miles & More programme becomes not only a reward collection tool, but also a means of promoting responsible travel and sustainable tourism.

The FlyOnline Club, a free rewards programme for Croatia Airlines users offers practical benefits for passengers and promotes digital business practices that help reduce the ecological footprint. By using this online service, passengers can easily book and pay for their tickets online, reducing

the need for paper and physical resources. After five successful online transactions, club members can earn the right to free tickets, which additionally motivates them to use digital tools instead of traditional purchasing methods. This digital transformation also helps to reduce the emissions associated with physical reservation and ticketing processes, aligning the business with sustainable development principles.

Privacy and data protection

In addition to technical measures, compliance with regulations such as the General Data Protection Regulation (GDPR) in the European Union is also an important aspect of data protection. Such regulations require companies to collect and process data in a transparent manner, with users' consent and control over their personal data. Efficient data protection safeguards companies from legal and financial consequences, but also improves customer and partner trust, enabling long-term sustainable growth.

Croatia Airlines continuously monitors the control of access to all systems and protects all data in line with the Information System Security Policy, Personal Data Protection Policy, and other documents published within the quality system.

Passengers' personal data are kept in line with internal security standards. Croatia Airlines takes significant organisational and technical measures to protect personal data and all other data of data subjects in accordance with the Information System Security Policy, Personal Data Protection Policy, and other documents published within the quality system. Where applicable, it uses data encryption and continuously works on improving security measures. Croatia Airlines prohibits unauthorised collection, processing and use of personal data. It applies the rule of limiting data access only to that which is necessary for the performance of individual business tasks. Croatia

Airlines' employees are strictly prohibited from using passengers' personal data for purposes that are inconsistent with the terms defined in the Personal Data Protection Policy. Personal data is protected from unauthorised access, use, alteration and loss, regardless of the format in which it is kept. Compliance with the Personal Data Protection Policy and other procedures related to data protection is regularly monitored within Croatia Airlines, by the Data Protection Officer.

Croatia Airlines does not rent, sell or transfer data to third parties for purposes unrelated to the provision of services. As in 2023, in 2024 there were no sanctioned complaints or incidents related to violation of customer or employee privacy, data leakage, theft or loss. Croatia Airlines aims to maintain this status, in line with the highest standards of corporate responsibility.

Information management

Providing timely, relevant and accurate information is key to ensuring a positive user experience, which has a direct impact on passenger satisfaction and travel decisions. Croatia Airlines has a well-developed and comprehensive user support system, whether through responsive call centres, email, online channels or personal assistance on site. These channels provide passengers with access to accurate and timely information, improving the overall travel experience and increasing confidence in the service.

Procedures for cooperation with passengers and end users on impacts

Information on offers, travel planning and booking, the Miles&More programme and all other travel-related information is available on the Company's website: www.croatiaairlines.com.

Information on transport services is available to passengers through the following channels:

- Croatia Airlines' General Conditions of Carriage are available to customers at all sales locations, branch offices, and representative offices of Croatia Airlines, and are also published on the following webpage:
<http://www.croatiaairlines.com/hr/pravne-obavijesti/opci-uvjeti-prijevoza/>
- Flight schedule is prepared seasonally (summer and winter) and is available on the Company's website (www.croatiaairlines.com)
- Current and potential service users also get information about Croatia Airlines' transport services through planned promotional messages, media releases, presentations at trade fairs in Croatia and abroad,

distribution of promotional material, sponsorship, and direct communication with sales staff

- Current and potential service users also receive information about Croatia Airlines' transport services by telephone and email.

Passenger satisfaction

Croatia Airlines strives to make travelling an easy and pleasant experience and to meet the expectations of its passengers. In order to ensure the highest quality of service, it regularly conducts surveys and communicates with passengers. Daily surveys throughout the year measure overall satisfaction with the service and track changes in expectations. Based on the feedback, Croatia Airlines strives to respond to changes in a timely manner and improve user experience.

The surveys allow the Company to monitor passenger satisfaction, but also satisfaction with individual service aspects, such as flight punctuality, cordiality of cabin staff, and food and beverage offer. Surveys are conducted online, via a QR code available during the flight. The survey results are used to improve the existing products and services and introduce new ones, with the aim of continuously improving passenger experience. In 2024, the indicator of overall passenger satisfaction with Croatia Airlines' service was 43%. With the introduction of new aircraft, passengers can expect higher level of travel comfort.

Procedures for the remediation of negative impacts and channels through which consumers and end users can voice their concerns

Handling of passenger claims

The Customer Relations Department communicates with users in relation to oral and written notes pertaining to passenger complaints, compliments and suggestions. User communication includes claims for damages resulting from traffic irregularities, such as:

- Baggage transport irregularities (Baggage Claims)
- General traffic irregularities (Traffic Irregularity Claims)
- Goods and mail transport irregularities (Cargo and Mail Claims)

In addition to legal regulations and case law, as a Star Alliance member Croatia Airlines bases its internal communication and communication with passengers on the common Star Alliance standards. The deadline for responding to passenger complaints is legally prescribed and depends on the type of complaint – 30 days for flight disruptions and refunds, while other complaints, including suggestions and baggage issues, are resolved within 15 days.

Passengers can contact the Customer Relations Department in writing, using the online form on Croatia Airlines' website: www.croatiaairlines.com or by mail (address: Bani 75b, Buzin, 10 010 Zagreb).

Passenger complaints are handled in accordance with the Regulation (EC) No 261/2004 and the provisions of the Act on Obligatory and Proprietary Relations in Air Transport (Official Gazette 132/98 and 63/08) in the event of denied boarding, flight cancellations, or long delays of flights, and with the Montreal Convention of 28 May 1999, which is implemented in the

Republic of Croatia by the Act on Ratification of the Convention for the Unification of Certain Rules for International Carriage by Air.

Privacy protection

Croatia Airlines has appointed a Data Protection Officer, who acts independently and in the interest of protecting the rights of data subjects and their personal data. The Data Protection Officer makes sure that the Personal Data Protection Policy and other procedures defining the rules of procedure when collecting and processing data subjects' personal data are applied in Croatia Airlines. The Data Protection Officer is also the first point of contact for data subjects who seek to exercise their rights (in relation to the processing of their personal data and the exercise of their rights under the Regulation), make inquiries about the protection of personal data, request additional information, express concerns about the processing of their personal data, file complaints related to the protection of personal data and exercise their rights under the General Data Protection Regulation. Data subjects may contact the Data Protection Officer by email: gdpr@croatiaairlines.hr. The Data Protection Officer is obliged to report any breach of personal data protection to the Croatian Personal Data Protection Agency.

Complaints

The share of complaints in relation to the total number of passengers was 0.84% in 2024. Croatia Airlines' target for 2025 is to reduce this share to between 0.65% and 0.72%. When setting this target, the Company took into account the increase in passenger numbers planned for 2025 and the potential impact of external service providers, which are still facing problems in recruiting staff and other issues in organising their activities at certain airports. One of the risks affecting the number of complaints is the application of the European Court of Justice's new mode of adjudication and the possible revision of existing legislation on air traffic rights, which would increase passengers' rights and consequently the cost of claims. Furthermore, passengers are becoming increasingly aware of their rights concerning potential damages and claims arising from traffic disruptions.

Croatia Airlines has set up a channel for reporting irregularities in line with applicable regulations, and the reporting procedure, safeguards and complaint management are described in the *Information management* chapter.



Š. Lugarov

Corporate governance



Business conduct policies

Croatia Airlines' corporate culture is based on defined business principles, which represent the fundamental principles or values affecting its activities and decisions and contributing to its performance and long-term success. Croatia Airlines is primarily committed to user and employee satisfaction, promotion of corporate identity and values, safety, cooperation with partners, business efficiency, humanitarian sensitivity and environmental responsibility at all levels of the company. The corporate culture is guided by the defined mission, vision and quality policy, which the Management reinforces through its business policies and internal communication.

Croatia Airlines' fundamental business principles include:

- Service user satisfaction: Croatia Airlines considers its passengers to be its greatest asset and continuously invests efforts to improve the quality of its services and adapt them to passenger needs in order to achieve full service satisfaction.
- Safety: an absolute priority. Croatia Airlines invests in staff training and maintaining the highest standards to ensure the maximum safety for both passengers and staff.
- Employee relations: employees are the key to Croatia Airlines' success. The Company strives to create a stimulating environment that encourages growth, development, motivation and teamwork.
- Corporate identity and values: the Company manages its reputation responsibly and with due care, trying to raise awareness about the fact that it is one of the most important corporate values. Satisfied employees and service users, and responsible conduct in all business aspects are key to building the Company's reputation.
- Cooperation with partners: respect, transparency and mutual trust are the basis for good partner relationships.

- Ethics: Croatia Airlines is committed to high ethical standards in all business aspects.
- Humanitarian awareness: Croatia Airlines is committed to humanitarian efforts and responsibility.
- Environmental responsibility: Croatia Airlines is aware of the importance of environmental protection and actively participates in the programmes aimed at reducing pollution in aviation, and encourages initiatives that promote sustainability and environmental awareness.

Code of Ethics

The Company strives to promote ethical behaviour in all areas of its business activities: among its employees, towards its customers, business partners, industry segments, owners, shareholders, and all other entities with which it cooperates. Croatia Airlines guarantees equality and equal treatment for all. To this end, it has adopted the Code of Ethics, and the Committee for the Monitoring of the Ethics Code Implementation has been active within Croatia Airlines since 2002. Its purpose is to monitor the enforcement, implementation, and violation of the provisions of the Code of Ethics in the work of the Company and, as an independent body, to propose to the Management Board methods of solving problems related to reported breaches. Based on the relevant report, the Management Board decides on sanctions to be applied in the event of non-compliance or breach of ethical principles. Its main goal is to promote moral standards, ethical behaviour and business ethics. By correcting any irregularities that arise as a result of non-compliance with the provisions of the Code of Ethics, it aims to promote ethical behaviour to make work and professional activities at the Company as pleasant and balanced as possible. For this purpose, a system for reporting instances of non-compliance with the Code of Ethics has been set up to allow employees to report any instance of breach. Report can be filed by any employee or management member, by completing the form entitled

OB-SPP-005 Report of Ethics Code breach, available on the Company's intranet, and submitting it to the Committee. The Committee is also required to review reports that have not been submitted using this form, but they must contain the elements defined in the form, as well as clarifications and data on the basis of which opinions/recommendations will be made. Reports can be sent to the Committee by email to eticko.povjerenstvo@croatiaairlines.hr.

Anonymous reports will not be considered to avoid system abuse. Croatia Airlines' Code of Ethics and the Rules of Procedure of the Committee for Monitoring the Ethics Code Implementation have also been published on the Company's intranet.

In addition, all information related to identity protection, and the Committee's working methods, procedures and tasks can be obtained by contacting the Committee directly at: eticko.povjerenstvo@croatiaairlines.hr. Upon recruitment, each employee is familiarised with the employer's internal regulations and documents, including the Code of Ethics.

The Committee meets when necessary, i.e. when it has become aware of or has been informed by a Company employee of a possible breach of the provisions of the Code of Ethics. In accordance with the Code of Ethics, all employees are required to act with due care and attention to the principle of integrity. The Company pays particular attention to the choice of its business partners and refuses to do business with those who have seriously breached their contractual obligations and the rules of business ethics.

Internal whistleblowing procedure

Croatia Airlines supports transparency and improvements of the existing system, as well as the prevention of abuse through whistleblower protection. In accordance with its obligations under the Whistleblower Protection Act, in 2022 the Company adopted a new regulation on the

internal whistleblowing procedure and the appointment of a designated person. The Company's Management Board has appointed a designated person and their deputy to receive report of violations of law and other wrongdoings. Information about these persons is available on the employer's intranet.

The process of internal reporting of irregularities starts with the submission of a report to the designated person, which may be in writing, electronically, by mail or verbally for the record. The report must contain data prescribed by the internal irregularity reporting procedure. The identity of the reporting person, i.e. the data on the basis of which their identity and other information contained in the report may be disclosed must be kept confidential, unless the reporting person agrees to its disclosure or if it is necessary to disclose the reporting person's identity during the procedure, in line with the rules on the use of personal data.

Actions to be taken upon receipt of a report:

- The designated person acknowledges the receipt within seven days of receipt;
- The designated person takes immediate steps to investigate the irregularity within 30 days, but no later than 90 days, of receipt of the report and provides feedback on the report to the reporting person;
- The designated person will decide on the merits of the report and whether it can be resolved with the employer, or it should be referred to external bodies authorised to process it according to content;
- If the irregularity can be resolved with the employer, the person authorised by the employer will undertake any measures to eliminate the irregularity, including preventive measures;
- If the content of the report requires it to be forwarded to the competent authorities, it will be forwarded to the competent administrative

supervision services, the State Inspectorate, the police, the State Attorney's Office, the Tax Administration or other competent bodies;

- The designated person will inform the reporting person of the developments and steps taken in the process and will provide access to the file within 30, but not more than 90 days of receipt;
- The designated person will inform the reporting person in writing of the outcome of the internal reporting procedure immediately upon its completion.

The Regulation prohibits preventing or attempting to prevent the reporting of irregularities. The employer may not retaliate, attempt to retaliate or threaten to retaliate against the reporting person, related persons, the designated person or their deputy for reporting an irregularity, i.e. public disclosure in accordance with the Act. The reporting person is entitled to the protection prescribed by the Act if, at the time of reporting, they had reasonable grounds to believe that the reported or publicly disclosed information on irregularities was true and fell within the scope prescribed by the Act. The designated person and their deputy are entitled to protection in accordance with the procedure for reporting irregularities provided for in the Whistleblower Protection Act, legal protection compensation for damages. The designated person and their deputy may receive additional professional training in this area, as decided by the employer.

The Company functions most exposed to the risk of corruption and bribery are those related to the procurement process. In order to protect the Company from all forms of corruption, the Code of Ethics, as an umbrella document, prescribes zero tolerance for corruption and has been made available to all employees. Furthermore, the Procurement Ordinance describes in detail anti-corruption measures and measures to prevent

conflicts of interest in the planning and preparation of a procurement process, the implementation of open procurement procedures and the execution of contracts. All persons involved in the procurement process must sign a non-disclosure agreement and a statement of impartiality. Should a conflict of interest arise in a procurement process, the responsible person will appoint another person to participate in the process.

Anti-corruption activities

In early 2010, Croatia Airlines started to implement its Anti-corruption Programme with the aim of improving the legal and institutional framework for efficient and systematic prevention of corruption and promotion of zero tolerance for corruption. The Programme is subject to revision as necessary, the latest of which was in 2019, in accordance with the Decision of the Government of the Republic of Croatia on the Adoption of an Anti-corruption Programme for the majority state-owned companies for the period 2019-2020.

Any breach or failure to comply with the Anti-corruption Programme is considered a violation of ethical principles and standards. The main goals of Croatia Airlines' Anti-corruption Programme are:

- Goal 1 Strengthening work integrity, responsibility and transparency
- Goal 2 Strengthening anti-corruption mechanisms.

The Anti-corruption Action Plan is also published on the Company's website and must be adhered to by all employees. Its Code of Ethics is published on its intranet site, which is accessible to all employees. It gives them an insight into the Company's commitment to reaffirming zero tolerance of corruption.

The Company clearly states that it will not participate in the work of lobby groups and that it does not approve sponsorship, donations or grants to political parties and government organisations, or to organisations that promote racial, religious, minority or any other form of discrimination.

Furthermore, the Procurement Ordinance stipulates the signing of a non-disclosure agreement by all members of the procurement committee. It also defines the anti-corruption principle to be followed by participants in the procurement process.

There have been no cases of corruption in the Company's history, but the function of the investigating committee is separate from the management chain that deals with these matters. As Croatia Airlines is majority state-owned, the members of the Supervisory Board are appointed by the Government of the Republic of Croatia.

There were no convictions related to corruption and bribery in the reporting period. As there were no violations related to corruption and bribery, no action was taken.

Supplier relationship management

The Company adheres to the Procurement Ordinance and all prescribed procedures and implements internal controls. The Company's Procurement Regulations recommend the use of 'green and sustainable procurement' whenever possible given the market circumstances, and in line with the Company's Environmental Protection and Energy Efficiency Guidelines.

Relationships with suppliers and partners can have a negative impact on the improvement of Croatia Airlines' service quality and financial performance, particularly when it comes to monopoly suppliers, which can lead to increased extraordinary costs.

When selecting a supplier, it is crucial to ensure high safety standards to preserve service quality and reliability. However, faced with a limited selection of monopoly suppliers, Croatia Airlines often finds itself in a challenging position when it comes to imposing additional sustainability requirements in the area of procurement. Despite these challenges, the Company strives to promote responsible procurement, taking into account environmental criteria in the selection of suppliers whenever possible. Suppliers are also assessed on the use of environmental standards and solutions and, if such criteria are met, they can get additional points in the evaluation of their goods and services offer.

In order to ensure transparency and compliance with its own standards, Croatia Airlines has officially introduced its suppliers to the application of ISO 14001 (standard for environmental management) and ISO 50001 (standard for energy efficiency management). These requirements have been published in an open letter, available on Croatia Airlines' webpage:

<https://www.croatiaairlines.com/resources/dokumenti/dopis-dobavljacima-hrv-may2018.pdf>.PDF

The Company emphasises the importance of sustainability, environmental responsibility and energy efficiency, thus encouraging its suppliers to contribute to the common goals of environmental awareness and corporate sustainability.

Croatia Airlines does not discriminate on the basis of size when making payments to suppliers. All payments are made within the legal deadlines.

Payment practices

The average time taken by the company to settle invoices from the start date to the contractual or legal payment deadline was 17 days in 2024.

Standard payment terms are met in accordance with the Act on Financial Operations and Pre-Bankruptcy Settlement, which stipulates a 30-day period, unless otherwise agreed between entrepreneurs (maximum 60 days). Contractual payment terms may vary depending on the supplier, i.e. the type of service or goods supplied. It is important to note that there is no discrimination against small, medium or micro suppliers in terms of payment. In line with EFRAG's explanation under Q&A ID 444, disclosures about payment practices should refer to payments made to all suppliers and in particular to small and medium-sized entities.

According to its standard contractual payment terms, Croatia Airlines pays approximately 24% of annual invoices within 30 days of receipt. Approximately 12% of annual invoices relate to payments for services received within 45 to 60 days of invoice receipt. The remainder are paid within 15 days of receipt or in advance.

In 2024, Croatia Airlines had no unresolved court cases related to liabilities to suppliers, and it tracks the average days of payment to suppliers through

reports in BI (*Business Intelligence Portal*) - IBM *Cognos Analytics*, which covers all supplier accounts, and the calculation is based on the date of payment according to the invoice recorded in the SAP system.

Business conduct goals

Croatia Airlines has a clearly defined business conduct policy, anti-corruption programme and supplier relationship management practices, which form the basis for professional and responsible business operations. Given the importance of maintaining high standards in all work aspects, Croatia Airlines strives to maintain, improve and consistently apply all the defined policies and measures.

This includes:

- Ongoing application of business conduct policies that ensure user satisfaction, safety, ethics and responsibility to employees, partners and the environment.
- Consistent implementation of the Anti-corruption Programme with zero tolerance to corruption, through employee training, strict adherence to internal regulations and transparent whistleblowing system.
- Maintenance of quality and transparent relationships with suppliers, while applying high safety, environmental and social standards and respecting contractual obligations and payment deadlines.
- Maintenance of internal control systems and regular audits to ensure compliance with laws and internal regulations.

Croatia Airlines remains committed to creating a reliable, responsible and sustainable business environment that strengthens the trust of passengers, employees, partners and the wider community, with ongoing monitoring and improvement of existing measures.

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ESRS E2-4 Amount of each pollutant listed in Annex II of the E- PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				NM
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ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				NM
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ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		NM
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				NM
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INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT FOR 2024

To the owner of Croatia Airlines d.d. and its subsidiaries, Zagreb

Subject of Examination

We have been engaged by Croatia Airlines d.d. to conduct an engagement with limited assurance, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (revised) ("Engagement"), on the consolidated Sustainability Report ("Subject of Examination") of Croatia Airlines d.d. ("Company") and its subsidiaries (together "Group"), contained in the "Sustainability Report" in the Management Report (consolidated Sustainability Report) as of 31 December 2024, and for the year then ended.

Criteria Applied by the Group

In preparing the consolidated Sustainability Report, the Group applied the provisions of Articles 32 and 36 of the Accounting Act (Official Gazette, No. 85/24 and 145/24), including:

- Compliance with the provisions of the European Sustainability Reporting Standards (ESRS), including the implementation of the process for identifying information disclosed in the consolidated Sustainability Report ("Process") as described in the section The process of assessing double materiality; and
- Compliance of disclosures in the consolidated Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 ("Taxonomy Regulation").

Inherent Limitations in Preparing the Consolidated Sustainability Report

Inherent limitations exist in all assurance engagements.

The criteria and characteristics of the Sustainability Report and the lack of long-established authoritative guidelines, standard applications, and reporting practices allow for the adoption of different, but acceptable, measurement methodologies, which may result in differences among entities. The adopted measurement methodologies can also affect the comparability of sustainability data reported by different organizations and the consistency within the same organization from year to year as methodologies evolve.

In reporting information about future events in accordance with ESRS, the Group's Management is required to prepare information about future events based on published assumptions about events that may occur in the future and possible future activities of the Group. The actual outcome is likely to be different, as future events often do not follow expectations.

In determining disclosures in the consolidated Sustainability Report, the Group's Management interprets undefined legal and other terms. Undefined legal and other terms can be interpreted in different ways, including the legal compliance of their interpretation, and are therefore subject to uncertainties.

This version of the Independent Auditor's Limited Assurance Report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

Management's and Those Charged with Governance Responsibility for Sustainability Reporting

Management is responsible for the design and implementation of the process for identifying information disclosed in the consolidated Sustainability Report in accordance with ESRS, and for disclosing this Process in the section The process of assessing double materiality in the consolidated Sustainability Report. This responsibility includes:

- Understanding the context in which the Group's activities and business relationships take place and understanding the affected stakeholders;
- Identifying actual and potential impacts (both negative and positive) related to sustainability issues, as well as risks and opportunities that affect or could reasonably be expected to affect the Group's financial position, financial performance, cash flows, access to financing, or cost of capital in the short, medium, or long term;
- Assessing the significance of identified impacts, risks, and opportunities related to sustainability issues by selecting and applying appropriate materiality thresholds; and
- Making assumptions that are reasonable in the given circumstances.

Furthermore, Management is responsible for preparing the consolidated Sustainability Report in accordance with the provisions of Articles 32 and 36 of the Accounting Act, including:

- Compliance with ESRS;
- Preparing disclosures in the section Information in accordance with Article 8 of Regulation (EU) 2020/852 in accordance with the reporting requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation);
- Designing, implementing, and maintaining internal control systems that Management determines are necessary to enable the preparation of the consolidated Sustainability Report without material misstatements due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methods and forming appropriate estimates and judgments about individual sustainability disclosures that are reasonable in the given circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process established by the Company.

Auditor's Responsibility

We conducted an engagement with limited assurance in accordance with the International Standard on Assurance Engagements, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE) 3000 (revised)*, as prescribed by the provision of Article 37 of the Accounting Act and the provisions of the contract for this engagement concluded with Croatia Airlines d.d. on 10 June 2024. These standards require planning and performing the engagement to draw a conclusion on whether we are aware of any significant changes that need to be made to the Subject of Examination to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of selected procedures depend on our professional judgment, including the assessment of the risk of material misstatement, whether due to fraud or error.

Auditor's Responsibility (continued)

Our responsibility is to draw a conclusion on the presentation of the Subject of Examination based on the evidence we have obtained. Our responsibilities regarding the Subject of Examination, in relation to the Process, include:

- Gaining an understanding of the Process but not for the purpose of expressing a conclusion on the effectiveness of the Process, including the outcome of the Process;

- Considering whether the identified information meets the applicable ESRS disclosure requirements; and
- Designing and performing procedures to assess the compliance of the Process with the description of the Group's Process, as disclosed in the section The process of assessing double materiality.

Our other responsibilities regarding the Subject of Examination include:

- Identifying disclosures where significant misstatements are likely to occur, whether due to fraud or error;
- Designing and performing procedures aimed at disclosures in the consolidated Sustainability Report where significant misstatements are likely to occur. The risk of not detecting a significant 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 controls.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion with limited assurance.

Our Independence and Quality Management

We comply with the independence and other ethical requirements established by the International Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA), which sets out fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. We possess the necessary knowledge and experience to conduct this assurance engagement.

We also apply the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Description of Procedures Performed

Procedures performed in a limited assurance engagement differ in nature and timing from, and are less extensive than, those performed in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is significantly lower than that which would have been obtained had a reasonable assurance engagement been performed. Our procedures are designed to obtain a limited level of assurance on which we can base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of internal controls established by Management in determining the nature and extent of our procedures, our assurance engagement was not designed to provide a conclusion on internal controls. Our procedures did not include testing controls or performing procedures relating to checking the aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making inquiries, primarily to persons responsible for preparing the consolidated Sustainability Report and related information, and applying analytical and other appropriate procedures.

A limited assurance engagement includes performing procedures to obtain evidence about the consolidated Sustainability Report.

The nature, timing, and extent of selected procedures depend on professional judgment, including identifying disclosures where significant misstatements are likely to occur, whether due to fraud or error, in the consolidated Sustainability Report.

In conducting our limited assurance engagement, we performed the following procedures regarding the Process:

- Gaining an understanding of the Process:
 - Making inquiries to understand the sources of information used by Management (e.g., stakeholder engagement, business plans, and strategic documents);
 - Reviewing the Group's internal documentation on the Process; and
 - Assessing the compliance of evidence obtained from our procedures on the Process conducted by the Group with the description of the Process stated in the section The process of assessing double materiality.

In conducting our limited assurance engagement on the consolidated Sustainability Report, we performed the following procedures:

- Gaining an understanding of the Group's reporting process relevant to the preparation of the consolidated Sustainability Report, including the consolidation process by gaining an understanding of the Group's control environment, processes, and information systems relevant to the preparation of the consolidated Sustainability Report, but not assessing the design of specific control activities, obtaining evidence of their implementation, or testing their operational effectiveness;
- Assessing whether significant information identified by the Process for identifying information for disclosure in the consolidated Sustainability Report is included in the consolidated Sustainability Report;
- Assessing the compliance of the structure and presentation of the consolidated Sustainability Report in accordance with ESRS;
- Making inquiries of relevant employees and performing analytical procedures on selected information from the consolidated Sustainability Report;
- Assessment of methods, assumptions, and data for developing significant estimates and future information, and how these methods were applied.

Description of Procedures Performed (continued)

- Understanding the process for identifying eligible and aligned economic activities under the EU taxonomy regulation for transport, CAPEX, and OPEX, as well as the corresponding disclosures in the consolidated Sustainability Report;
- assessment of compliance processes, methods and data for covered activities, assessing compliance with minimum safeguards by conducting staff inquiries and evidentiary and analytical procedures in relation to disclosures compliant with the EU taxonomy
- Evaluation of the presentation and use of EU Taxonomy templates in accordance with the relevant requirements; and
- Alignment and verification of consistency, to the extent applicable, between the listed economic activities under the EU Taxonomy and the items stated in the consolidated financial statements, including the disclosures mentioned in the related notes.

Limited assurance conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the consolidated Sustainability Report of the Group is not prepared, in all material respects, in accordance with the provisions of Articles 32 and 36 of the Accounting Act, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including the compliance of the process conducted by the Group for identifying information disclosed in the consolidated Sustainability Report ("Process") with the description provided in the section The process of assessing double materiality; and
- Compliance of disclosures in the section Information in accordance with Article 8 of Regulation (EU) 2020/852 in the consolidated Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/85 (EU Taxonomy Regulation).

Other Matters

Comparative information included in the consolidated Sustainability Report of the Group for the financial year from 1 January to 31 December 2023, was not subject to the assurance engagement. Our conclusion is not modified with respect to this matter.

Zagreb, 30 April 2025

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

For signatures, please refer to the
original Croatian auditor's report, which
prevails.

Hrvoje Stipić, President of the
Management Board

Vedrana Stipić, Certified
Auditor

CROATIA AIRLINES d.d.

**Consolidated and Separate Financial Statements
for the year ended 31 December 2024
together with Independent auditors' report**

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The Management Board of the Company Croatia Airlines d.d., Buzin, Bani 75/b (hereinafter "the Company") is responsible for ensuring that the consolidated and separate financial statements for the year ended 31 December 2024 are prepared in accordance with the Accounting Act and the International financial reporting standards ("IFRS") effective in European Union and in accordance with the Regulation on the structure and content of the annual financial statements, 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.

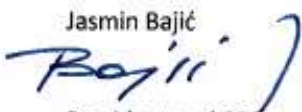
After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board has adopted the going concern basis in preparing the financial statements of the Company and the Group.

In preparing these consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable financial reporting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and the results of operations of the Company and their compliance with the Accounting Law and International financial reporting standards ("IFRS") effective in 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:

Jasmin Bajić

President and CEO

Croatia Airlines d.d.
Bani 75/b, Buzin
10000 Zagreb
Republic of Croatia
30 April 2025

INDEPENDENT AUDITOR'S REPORT

To the owner of Croatia Airlines d.d. and its subsidiaries

Report on the audit of separate and consolidated financial statements

Opinion

We have audited the separate and consolidated annual financial statements of Croatia Airlines d.d. (the Company) and its subsidiaries (the Group), which include consolidated and separate Statement of Financial Position as at 31 December 2024, separate and consolidated Statement of Comprehensive Income, separate and consolidated Statement of Cash Flows and separate and consolidated Statement of Changes in Equity for the year then ended, as well as the accompanying Notes to the separate and consolidated annual financial Statements, including information on significant accounting policies.

In our opinion, the accompanying separate and consolidated annual financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2024, their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in our Independent Auditor's Report in the section on the *Auditor's responsibilities for the audit of unconsolidated and consolidated annual financial statements*. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (with International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) (IESBA Code), as well as with the ethical requirements that are relevant to our audit of the financial statements in Croatia, and we have fulfilled our other ethical responsibilities in accordance with those 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.

Significant uncertainty regarding going concern

We draw attention to Note 3. *Going concern* to the separate and consolidated annual financial statements, which states that the Company for the year ended 31 December 2024 incurred a loss of EUR 19,571 thousand, while the Group incurred a loss of EUR 19,395 thousand. It is also stated that during 2024, the Company and the Group faced external factors that made operations more difficult and had a negative impact on financial results, which are expected to continue in 2025. The above circumstances, together with other matters stated in Note 3, indicate the existence of uncertainties that cast doubt on the Company's and the Group's ability to continue as a going concern. As further explained in Note 3, the Company's Management is taking measures to lay the foundations for sustainable growth, adapt to changing market conditions and improve its operating performance and financial position. Our opinion is not modified in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of the greatest importance for our audit of the separate and consolidated financial statements of the current period. We dealt with these matters in the context of our audit of the separate and consolidated financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated annual financial statements (continued)

Key audit matter (continued)

We have determined that the matter below is a key audit matter to be disclosed in our Independent Auditor's Report.

Key audit matter	How we addressed the key audit matter
<p>Recognition of revenue from passenger traffic in scheduled flights</p> <p>In the Statement of Comprehensive Income for the year ended 31 December 2024, the Company reported revenues from passenger traffic in scheduled flights in the amount of EUR 212,143 thousand (31 December 2023: EUR 199,126 thousand).</p> <p>Revenues from passenger traffic are recognized in the Statement of Comprehensive Income at the moment when the passenger coupons are used, i.e., during the period of performance of the transportation service. Until the passenger coupons are used, the value of the sold flight documents is recognized in short-term liabilities from air traffic, which are reduced after the performance of the transportation service or by refunding the appropriate amount to the passenger for returned tickets.</p> <p>Due to the Company's business model, the determination of the amount of revenue recognized in the period, i.e. the precise recognition of revenue in the Statement of Comprehensive Income according to the International Financial Reporting Standard "Revenue from Contracts with Customers" (IFRS 15), is based on complex internal IT systems within which a large number of transactions are processed.</p> <p>Considering the significance of the sales revenue shown in the Statement of Comprehensive Income, along with the complexity of the IT system, we concluded that the stability, accuracy and completeness of the revenue, as well as their recording in the correct reporting period, is a key audit matter.</p> <p>See Notes 2.a) "Revenues" and 4. "Revenues from passenger traffic" in the corresponding annual separate and consolidated financial statements.</p>	<p>Our audit procedures in addressing this area included, among other:</p> <ul style="list-style-type: none"> - Gaining an understanding of the sales process by conducting interviews with key people in sales - Gaining an understanding and examination of the design and implementation of key controls related to the recognition of sales revenue and the way of recording revenue from passenger traffic on scheduled flights - Testing general IT controls by IT auditors that ensure user access rights management, change management, data processing management and network security management - Testing the accuracy and completeness of transaction data recorded in internal IT systems, their compliance with the general ledger, as well as checking the correctness of the schedule to the positions of the financial statement by the IT auditor - Implementation of operational efficiency of internal controls and test of details on a representative sample of transactions, revenue from passenger traffic by connecting amounts recognized in financial statements with supporting documentation - Assessment of compliance of the policy for recognition of sales revenue with International Financial Reporting Standard 15 - Revenue from Contracts with Customers; - Assessment of the adequacy of disclosures related to the recognition of sales revenue in accordance with International Financial Reporting Standard 15 - Revenue from Contracts with Customers.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of separate and consolidated annual financial statements (continued)****Other information in the Annual Report and separate non-financial report**

Management is responsible for other information. Other information includes the Management Report, Statement on the Application of the Code of Corporate Governance and Sustainability Report included in the Annual Report but not including the separate and consolidated annual financial statements and our Independent Auditor's Report thereon. Our opinion on the separate and consolidated financial statements does not include other information.

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

Regarding the Management Report and the Statement on the Application of the Corporate Governance Code, we also carried out the procedures required by the Accounting Act. These procedures include considering whether the Management Report has been prepared in accordance with Articles 21, 22 and 24 of the Accounting Act and whether the Statement on the Application of the Corporate Governance Code has been prepared in accordance with Articles 22 and 25 of the Accounting Act.

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

1. The information in the attached Management Report and Statement on the Application of the Corporate Governance Code is harmonized, in all significant respects, with the attached separate and consolidated annual financial statements;
2. The attached Management Report is compiled in accordance with Articles 21, 22 and 24 of the Accounting Act;
3. The attached Statement on the Application of the Corporate Governance Code includes the information defined in Articles 22 and 25 of the Accounting Act.
4. In relation to the Sustainability Report, which is included as part of the other information and forms a separate part of the Management Report, we have performed limited procedures to issue a limited assurance report, the results of which are presented as a separate limited assurance report with an unmodified conclusion.

Based on the knowledge and understanding of the operations of the Company and the Group and their environment acquired within the audit of separate and consolidated annual financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Management Report and Statement on the Application of the Corporate Governance Code. In this sense, we have nothing to report.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the audit of separate and consolidated annual financial statements (continued)

Responsibilities of the Management Board and those charged with governance for the separate and consolidated annual financial statements

Management Board is responsible for the preparation of separate and consolidated annual financial statements that give a true and fair view in accordance with IFRSs, and for those internal controls that the Management Board determines are necessary to enable the preparation of separate and consolidated annual financial statements that are free from material misstatement due to fraud or error.

In preparing the separate and consolidated annual financial statements, Management Board is responsible for evaluation of the Company's and Group's ability to continue operations assuming going concern principle, disclosure, if applicable, of issues related to going concern, and using accounting based on going concern principle, unless the Management Board intends to liquidate the Company or the Group or discontinue its business or there is no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process established by the Company.

Auditor's Responsibility for the audit of separate and consolidated annual financial statements

Our goals are to obtain reasonable assurance about whether the separate and consolidated annual financial statements, as a whole, are free from material misstatement as a result of fraud or error, and to issue an Independent Auditors' Report that includes our opinion. Reasonable assurance is a higher level of assurance, but this is no guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered as important, if it can reasonably be expected that, individually or in aggregate, they affect the economic decisions of users made based on these separate and consolidated financial statements.

As an integral part of the audit report in accordance with ISA, we make professional judgments and maintain professional scepticism throughout the audit process. In addition, we:

- Identify and assess the risks of material misstatement of the separate and consolidated annual financial statements due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of non-detecting a material misstatement of fraud is greater than the risk of error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or circumvention of internal controls.
- Acquire an understanding of internal controls 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 and Group's internal controls.
- Assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the accounting basis used based on the going concern principle used by the Management Board and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may create significant doubts about the ability to continue operating for an indefinite period of time. If we conclude that there is significant uncertainty, in our Independent Auditors' Report we are required to call our attention to related disclosures in the separate and consolidated annual financial statements or, if these are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditors' Report. However, future events or conditions may cause the Company and Group to discontinue their operations on a going concern.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of separate and consolidated annual financial statements (continued)****Auditor's Responsibility for the audit of separate and consolidated annual financial statements (continued)**

- Evaluate the overall presentation, structure and content of the separate and consolidated annual financial statements, including disclosures, as well as whether the separate and consolidated annual financial statements reflect the transactions and events which they are based on in a way that achieves a fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for directing, supervising and performing the Group's audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance, among other issues, the intended scope and timing of audit and important audit findings, including any significant deficiencies in internal controls identified during our audit.

We also make a statement to those charged with governance that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them any relationship and other matters that may reasonably be considered to affect our independence as well as, where applicable, on related safeguards.

Among the issues communicated to those charged with governance, we identify those issues that are the most important in auditing the separate and consolidated financial statements of the current period and therefore present the key audit matters. We describe these matters in our Independent Auditor's Report, unless the law or regulation prevents the matters from being publicly disclosed, or when we decide, in extremely rare circumstances, that the matter should not be reported in our Independent Auditors' Report because the negative consequences of the disclosure could reasonably be expected to outweigh the benefits of public interest from such communication.

Statement on other legal and regulatory requirements

On 28 May 2024, the Assembly of the Company appointed us based on the proposal of the Supervisory Board to audit the separate and consolidated financial statements for the year 2024.

We have been engaged to perform a legal audit of the separate and consolidated annual financial statements of the Company and the Group for the first time in 2023, which represents an engagement of two years.

In the audit of the separate financial statements of the Company for the year 2024, we determined the materiality for the separate financial statements as a whole in the amount of EUR 4,083 thousand, which represents approximately 1.7% of the operating income for the year 2024. In the audit of the consolidated financial statements of the Group for the year 2024, we determined the materiality for the consolidated financial statements as a whole in the amount of EUR 4,083 thousand, which represents approximately 1.7% of the operating income for the year 2024.

We have chosen operating income as a measure of materiality because we believe that it is the most appropriate measure of the success of the Company's, or Group's, operations.

Our audit opinion is consistent with the additional report for the Company's Audit Committee drawn up in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of separate and consolidated annual financial statements (continued)****Statement on other legal and regulatory requirements (continued)**

Our audit opinion is consistent with the additional report for the Company's Audit Committee drawn up in accordance with the provisions of Article 11 of Regulation (EU) no. 537/2014.

During the period between the starting date of the audited separate and consolidated annual financial for 2024 and the date of this Independent Auditor's Report, we did not provide prohibited non-audit services to the Company and its subsidiaries and did not provide services for the design and implementation of internal control procedures or risk management related to preparation and/or control of financial information or the design and implementation of technological systems for financial information, and we have maintained independence in relation to the Company and the Group.

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and the Council regarding regulatory technical standards for the specification of the European Single Electronic Format

Auditor's assurance report on the compliance of separate and consolidated annual financial statements (financial statements), prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (OG 85/24) by applying the Delegated Regulation (EU) 2018/815 establishing a single electronic reporting format for issuers (the ESEF Regulation).

We conducted the engagement with expressing reasonable assurance as to whether the financial statements prepared for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, which are contained in the electronic file *croatiaairlines-2024-12-31-0-hr*, in all material aspects prepared in accordance with the requirements of the ESEF Regulation

Responsibilities of Management and those charged with governance

The Management of the Company is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation.

In addition, the Management of the Company is responsible for maintaining a system of internal controls that reasonably assures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Management of the Company and the Group is also responsible for:

- public disclosure of the financial statements contained in the annual report in a valid XBRL format, and
- selection and use of XBRL codes in accordance with the requirements of the ESEF Regulation.

Those in charge of governance are responsible for overseeing the preparation of financial statements in the ESEF format as part of the financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of separate and consolidated annual financial statements (continued)**

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and the Council regarding regulatory technical standards for the specification of the European Single Electronic Format (continued)

Auditor's responsibilities

It is our responsibility to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted this reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) - *Assurance engagements other than audits or reviews of historical financial information*.

Procedures performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance. However, it does not assure that the scope of testing will reveal all significant (material) non-compliance with the ESEF Regulation.

As part of the selected procedures, we have performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Bank's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or errors; and
- based on that, we have planned and designed procedures for responding to assessed risks and for obtaining reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements, which are included in the separated and consolidated report, are prepared in the valid XHTML format,
- the information contained in the unconsolidated and consolidated financial statements required by ESEF Regulation, are labelled and all labels meet the following requirements:
- XBRL mark-up language was used,
- the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting meaning were used, unless an additional element of taxonomy has been created in accordance with Annex IV ESEF Regulations,
- the labels comply with the common labelling rules under the ESEF Regulation.

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

INDEPENDENT AUDITOR'S REPORT (continued)**Report on the audit of separate and consolidated annual financial statements (continued)**

Report based on the requirements of Delegated Regulation (EU) 2018/815 amending Directive 2004/109/EC of the European Parliament and the Council regarding regulatory technical standards for the specification of the European Single Electronic Format (continued)

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements presented in ESEF format, contained in the above-mentioned electronic file and based on the provision of Article 462, paragraph 5 of the Capital Market Act prepared for the purposes of public disclosure, in all material respects are in line with the requirements from articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2024.

In addition, as well as the opinion contained in this Independent Auditor's Report for the accompanying separate and consolidated financial statements and the report for the year ended 31 December 2024, we do not express any opinion on the information contained in these statements or other information contained in the file stated above.

The engaged partner involved in the audit of the Company's and Group's separate and consolidated annual financial statements for 2024 which results in this Independent Auditor's Report, is the certified auditor Vedrana Stipić.

Zagreb, 29 April 2025

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

For signatures, please refer to the
original Croatian auditor's report, which
prevails.

Hrvoje Stipić, President of the
Management Board

Vedrana Stipić, Certified
Auditor

Croatia Airlines Group consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	2024 EUR thousand	2023 EUR thousand
Operating revenues			
Passenger traffic	4	220,678	208,782
Cargo traffic		1,042	1,063
Other sales revenue	5	14,947	15,192
Total operating revenues		236,667	225,037
Other income	6	20,318	29,402
Operating expenses			
Flight operations		(87,318)	(76,337)
Maintenance		(45,517)	(42,834)
Passenger service		(17,369)	(13,996)
Aircraft and traffic services		(56,696)	(53,292)
Promotion and sales		(27,607)	(26,744)
General and administrative expenses		(14,832)	(13,827)
Depreciation and amortization	12, 13, 30	(21,957)	(19,016)
Other operating expenses		(1,302)	(4,093)
Total expenses		(272,598)	(250,139)
(Loss)/profit from operations		(15,613)	4,300
Finance income	9	11,583	9,369
Finance costs	10	(15,325)	(11,300)
Net finance costs		(3,742)	(1,931)
(Loss)/profit before tax		(19,355)	2,369
Income tax expense	11	(40)	(7)
(Loss)/profit for the year		(19,395)	2,362
Other comprehensive income			
Changes in revaluation reserves of fixed tangible assets		8,053	533
Income tax relating to items that will not be reclassified		(1,450)	-
Items that will not be reclassified to profit or loss		6,603	533
Other items that will be reclassified		(63)	-
Total other comprehensive income		6,540	533
Total comprehensive (loss)/income		(12,855)	2,895
(Loss)/profit per share	27	(0.21)	0.03

The accompanying notes are an integral part of these financial statements.

Croatia Airlines d.d. separate statement of comprehensive income

For the year ended 31 December 2024

	Note	2024 EUR thousand	2023 EUR thousand
Operating revenues			
Passenger traffic	4	220,678	208,782
Cargo traffic		1,042	1,063
Other sales revenue	5	13,158	13,138
Total operating revenues		234,878	222,983
Other income	6	20,293	29,377
Operating expenses			
Flight operations		(87,318)	(76,337)
Maintenance		(45,517)	(42,834)
Passenger service		(17,369)	(13,996)
Aircraft and traffic services		(56,696)	(53,292)
Promotion and sales		(27,607)	(26,744)
General and administrative expenses		(13,419)	(12,006)
Depreciation and amortization	12, 13, 30	(21,916)	(18,976)
Other operating expenses		(1,302)	(4,093)
Total expenses		(271,144)	(248,278)
(Loss)/profit from operations		(15,973)	4,082
Finance income	9	11,724	9,462
Finance costs	10	(15,322)	(11,292)
Net finance costs		(3,598)	(1,830)
(Loss)/profit before tax		(19,571)	2,252
Income tax expense	11	-	-
(Loss)/profit for the year		(19,571)	2,252
Other comprehensive income			
Changes in revaluation reserves of fixed tangible assets		8,053	533
Income tax relating to items that will not be reclassified		(1,450)	-
Items that will not be reclassified to profit or loss		6,603	533
Other items that will be reclassified		(63)	-
Total other comprehensive income		6,540	533
Total comprehensive (loss)/income		(13,031)	2,785
(Loss)/profit per share	27	(0.21)	0.02

The accompanying notes are an integral part of these financial statements.

Croatia Airlines Group consolidated statement of financial position

For the year ended 31 December 2024

	Note	31 December 2024 EUR thousand	31 December 2023 EUR thousand
Assets			
Non-current assets			
Intangible assets	12	1,494	777
Property, plant and equipment	13	36,467	13,633
Right of use assets	30	88,976	41,281
Prepayments	15	38,307	32,571
Non-current deposits	16	13,475	12,384
Investments in equity instruments	17	25	25
Non-current receivables	18	14,400	13,612
		193,144	114,283
Current assets			
Inventories	19	11,618	9,602
Trade receivables	20	14,083	15,374
Other receivables	21	5,836	3,428
Income tax receivable		12	19
Prepaid expenses and accrued income	22	2,860	1,906
Current deposits	23	1,110	3,647
Cash and cash equivalents	24	45,638	79,913
		81,157	113,889
TOTAL ASSETS		274,301	228,172
EQUITY AND LIABILITIES			
Equity			
Share capital	25	92,388	92,388
Reserves	26	7,429	889
Retained earnings / (accumulated loss)		(78,107)	(80,469)
(Loss)/profit for the year		(19,395)	2,362
		2,315	15,170
Non-current liabilities			
Provisions	28	44,723	39,953
Non-current loans and borrowings	29	82,605	81,654
Non-current lease liabilities	30	66,265	25,848
Other non-current liabilities		14	7
Deferred tax liability	31	1,450	-
		195,057	147,462
Current liabilities			
Provisions	28	6,289	3,710
Current portion of non-current loans and borrowings	29	4	-
Current lease liabilities	30	18,775	12,663
Trade payables	32	15,295	17,670
Other current liabilities	33	25,396	27,646
Income tax liability		40	7
Accrued expenses and deferred income	34	11,130	3,844
		76,929	65,540
TOTAL EQUITY AND LIABILITIES		274,301	228,172

The accompanying notes are an integral part of these financial statements.

Croatia Airlines d.d. separate statement of financial position

For the year ended 31 December 2024

	Note	31 December 2024 EUR thousand	31 December 2023 EUR thousand
Assets			
Non-current assets			
Intangible assets	12	1,494	777
Property, plant and equipment	13	36,423	13,585
Right of use assets	30	88,929	41,258
Investments in subsidiaries	14	346	346
Prepayments	15	38,307	32,571
Non-current deposits	16	13,232	12,142
Financial assets available for sale	17	25	25
Non-current receivables	18	14,400	13,612
		193,156	114,316
Current assets			
Inventories	19	11,618	9,602
Trade receivables	20	13,428	14,573
Other receivables	21	5,966	3,625
Income tax receivable		-	-
Prepaid expenses and accrued income	22	2,763	1,810
Current deposits	23	1,101	3,646
Cash and cash equivalents	24	44,827	79,120
		79,703	112,376
TOTAL ASSETS		272,859	226,692
EQUITY AND LIABILITIES			
Equity			
Share capital	25	92,388	92,388
Reserves	26	7,016	476
Retained earnings / (accumulated loss)		(78,384)	(80,636)
Net loss for the year		(19,571)	2,252
		1,449	14,480
Non-current liabilities			
Provisions	28	44,723	39,953
Non-current loans and borrowings	29	82,592	81,654
Non-current lease liabilities	30	66,233	25,848
Other non-current liabilities		7	7
Deferred tax liability	31	1,450	-
		195,005	147,462
Current liabilities			
Provisions	28	6,289	3,710
Current lease liabilities	30	18,760	12,637
Trade payables	32	15,024	17,101
Other current liabilities	33	25,296	27,507
Accrued expenses and deferred income	34	11,036	3,795
		76,405	64,750
TOTAL EQUITY AND LIABILITIES		272,859	226,692

The accompanying notes are an integral part of these financial statements.

Croatia Airlines Group consolidated statement of changes in equity

For the year ended 31 December 2024

Croatia Airlines Group	Share capital	Reserves	Retained earnings/ (accumulated losses)	Profit/(loss) for the year	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Balance at 31 December 2022	83,334	39,642	(92,766)	(17,935)	12,275
Profit for the 2023 year	-	-	-	2,362	2,362
Reduction of share capital (euro conversion)	(30,232)	-	30,232	-	-
Transfer from paid-in unsubscribed capital	39,286	(39,286)	-	-	-
Transfer of loss from 2022 year	-	-	(17,935)	17,935	-
Other comprehensive income	-	533	-	-	533
Balance at 31 December 2023	92,388	889	(80,469)	2,362	15,170
Loss for the 2024 year	-	-	-	(19,395)	(19,395)
Transfer of profit from 2023 year	-	-	2,362	(2,362)	-
Revaluation of long term assets	-	6,603	-	-	6,603
Other comprehensive income	-	(63)	-	-	(63)
Balance at 31 December 2024	92,388	7,429	(78,107)	(19,395)	2,315

The accompanying notes are an integral part of these financial statements.

Croatia Airlines d.d. separate statement of changes in equity

For the year ended 31 December 2024

Croatia Airlines d.d.	Share capital	Reserves	Retained earnings/ (accumulated losses)	Profit/(loss) for the year	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Balance at 31 December 2022	83,334	39,229	(92,665)	(18,203)	11,695
Profit for the 2023 year	-	-	-	2,252	2,252
Reduction of share capital (euro conversion)	(30,232)	-	30,232	-	-
Transfer from paid-in unsubscribed capital	39,286	(39,286)	-	-	-
Transfer of loss from 2022 year	-	-	(18,203)	18,203	-
Other comprehensive income	-	533	-	-	533
Balance at 31 December 2023	92,388	476	(80,636)	2,252	14,480
Loss for the 2024 year	-	-	-	(19,571)	(19,571)
Transfer of profit from 2023 year	-	-	2,252	(2,252)	-
Revaluation of long term assets	-	6,603	-	-	6,603
Other comprehensive income	-	(63)	-	-	(63)
Balance at 31 December 2024	92,388	7,016	(78,384)	(19,571)	1,449

The accompanying notes are an integral part of these financial statements.

Croatia Airlines Group consolidated cash flow statement

For the year ended 31 December 2024

	Note	2024 EUR thousand	2023 EUR thousand
Cash flows from operating activities			
Loss for the year		(19,395)	2,362
<i>Adjustments for:</i>			
Depreciation and amortization	7	21,968	19,016
Gain on sale of property, plant and equipment	6	(96)	(9,490)
Disposals of property, plant and equipment		255	709
Impairment loss on trade receivables		26	53
Collection of previously written-off receivables		(11)	(2)
Change in provisions	29	7,349	8,169
Lease cancellation		(2,982)	(1,840)
Unrealized foreign exchange differences		(488)	(696)
Interest costs	10	4,996	2,947
Interest income	9	(2,159)	(1,367)
Tax expense	11	40	-
		9,503	19,861
<i>Changes in:</i>			
Inventories	20	(2,016)	(848)
Trade and other receivables	21,22	5,838	486
Trade and other payables	34,35	2,528	(1,149)
Cash generated from operating activities		15,853	18,350
Interest paid		(2,877)	(1,781)
Interest received		2,159	1,367
Net change of deposits		1,446	(4,721)
Income tax paid		-	-
Net cash (used in) / from operating activities		16,581	13,215
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(20,333)	(2,589)
Proceeds from sale of property, plant and equipment		34	22,992
Net change in other financial assets		290	-
Prepayments for maintenance of aircrafts and engines		(14,448)	(15,071)
Net cash used in investing activities		(34,457)	5,332
Cash flows from financing activities			
Repayment of loans and borrowings	32	(4)	(2,950)
Payment of lease liabilities	31	(16,395)	(12,706)
Net cash from/(used in) financing activities		(16,399)	(15,656)
Net decrease in cash and cash activities		(34,275)	2,891
Cash and cash equivalents at beginning of the year		79,913	77,022
Cash and cash equivalents at end of the year	25	45,638	79,913

The accompanying notes are an integral part of these financial statements.

Croatia Airlines d.d. separate cash flow statement

For the year ended 31 December 2024

	Note	2024 EUR thousand	2023 EUR thousand
Cash flows from operating activities			
Loss for the year		(19,571)	2,252
<i>Adjustments for:</i>			
Depreciation and amortization	7	21,916	18,976
Gain on sale of property, plant and equipment	6	(84)	(9,481)
Disposals of property, plant and equipment		255	709
Impairment loss on trade receivables		26	53
Collection of previously written-off receivables		(11)	(2)
Change in provisions	29	7,349	8,169
Lease cancellation		(2,982)	(1,852)
Unrealized foreign exchange differences		(440)	(413)
Interest costs	10	4,994	2,945
Interest income	9	(2,159)	(1,463)
Income from shares in profit		(137)	(93)
		9,156	19,800
<i>Changes in:</i>			
Inventories	20	(2,016)	(848)
Trade and other receivables	21,22	5,199	590
Trade and other payables	34,35	2,694	(1,349)
Cash generated from operating activities		15,033	18,193
Interest paid		(2,877)	(1,779)
Interest received		2,159	1,206
Net change of deposits		2,016	(4,592)
Net cash from operating activities		16,331	13,028
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(20,333)	(2,555)
Proceeds from sale of property, plant and equipment		34	22,992
Loans given		(300)	(500)
Proceeds from repayment of loans		375	250
Net change in other financial assets		290	-
Prepayments for maintenance of aircrafts and engines		(14,448)	(15,071)
Dividends received		137	93
Net cash used in investing activities		(34,245)	5,209
Cash flows from financing activities			
Repayment of loans and borrowings	32	-	(2,950)
Payment of lease liabilities	31	(16,379)	(12,453)
Net cash from/(used in) financing activities		(16,379)	(15,403)
Net decrease in cash and cash activities		(34,293)	2,834
Cash and cash equivalents at beginning of the year		79,120	76,286
Cash and cash equivalents at end of the year	25	44,827	79,120

The accompanying notes are an integral part of these financial statements.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2024

1. GENERAL

The principal activity of the company Croatia Airlines d.d., Zagreb (the "Company") is domestic and international air transport of passengers, mail and cargo. The Company was established as a joint stock company on 7 August 1989 under the name Zagreb Airlines d.d., and since 23 July 1990 it has been operating under the name Croatia Airlines d.d. The registered seat of the Company is in Zagreb, Bani 75/b, Buzin.

The subsidiaries of the Company are Obzor putovanja d.o.o. (100 % owned) and Amadeus Croatia d.d. (95% owned).

Amadeus Croatia d.d. was established in Zagreb, on 19 October 1993, with the registered office at the address Božidara Adžije 19. Amadeus Croatia d.d. or ACO Croatia (Amadeus Commercial Organisation) is an international joint venture company established by the Company and Amadeus Global Travel Distribution from Madrid with the aim of representing the interests of Amadeus Global Travel Distribution within the territory of the Republic of Croatia, connecting travel agencies with Amadeus' base situated in Erding, near Munich, and, with the purpose of issuing passenger tickets in air, ship and train transportation and booking of rent-a-car and hotel accommodation. A part of its business is also marketing on the territory of the Republic of Croatia, advertising and sponsorship, organization of support for the users, which is available on every working day, and the organization of education of users for the effective application of Amadeus system.

Obzor putovanja d.o.o. is tourist agency established on 28 October 1993 registered in Zagreb, Bani 75/b, Buzin and an office in Teslina 5. The core business of the Company is issuing tickets for all airlines, organizing accommodation in the requested hotel category, transfers, rent a car and travel insurance etc.

General Assembly of the Company

The Ministry of State Property	99.16 %
Zagreb International Airport	0.52 %
HPB for The Republic of Croatia	0.19 %
Others	0.13 %
Total	100.00 %

Supervisory Board of the Company

Zlatko Mateša	President
Janko Mišić	Deputy President
Zoran Barac	Member
Mirko Tatalović	Member

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

1. GENERAL (CONTINUED)

Management Board of the Company

Jasmin Bajić	President of the Management Board and CEO (from 4 November 2017)
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Subsidiaries' Management

Ivana Erceg	General Manager of Amadeus Croatia d.d. from 20 September 2023
Eugen Šunde	General Manager of Amadeus Croatia d.d. to 19 September 2023
Romana Žižak	General Manager of Obzor putovanja d.o.o. from 1 July 2023
Silvana Turčić	General Manager of Obzor putovanja d.o.o. to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES

Compliance statement

The separate and consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards adopted by the European Union (IFRS EU).

Reporting basis and functional currency

The items included in the financial statements of the Company and the Group are reported in the currency of the primary economic environment in which they operate (functional currency). Since, pursuant to the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia, the Republic of Croatia introduced the euro as its official currency as of 1 January 2023, the Company and the Group changed the presentation currency from the Croatian kuna to the euro for the purpose of drawing up financial statements for the year ended 31 December 2023, and this change was for the first time applied in the said statements. As of 1 January 2023, the euro has also been the functional currency of the Company and the Group (replacing the Croatian kuna, which was their functional currency until 1 January 2023).

The amounts reported in these financial statements have been rounded to the nearest thousand, unless otherwise stated.

The financial statements have been prepared on the historical cost basis, except for any financial assets and liabilities stated at fair value, and except for aircraft and spare engines recorded as property, plant and equipment at revaluated amounts. The accounting policies have been consistently applied, except where otherwise stated.

The financial statements have been prepared under the assumption that the Group and the Company will continue to operate as a going concern.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation basis

The enclosed consolidated financial statements comprise the financial statements of the Company and the entities under its control, i.e. its subsidiaries, including the structured entities. Control is achieved when the Company has the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect its returns.

The Company and the Group reassess the control status if there are any changes in the facts and circumstances that affect one or more of the three elements of control described above. In the event that the Company holds less than the majority of voting rights in an entity, it is deemed to have power over that entity if its voting rights are sufficient to enable it to direct the entity's essential activities.

In determining whether its voting rights in the entity are sufficient to exert power, the Company considers all relevant facts and circumstances, including:

- the proportion of its voting rights in relation to the size and distribution of the voting rights of other persons with the right to vote;
- the potential voting rights of investors, other persons with the right to vote or other persons;
- the rights under other contractual relationships; and
- any additional facts and circumstances that indicate whether the Company has the current ability to conduct relevant affairs at the time when such decisions need to be made; this includes details of how votes were cast at previous shareholders' meetings.

A subsidiary is either consolidated or deconsolidated from the moment the Company acquires or relinquishes control over it. The income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date on which the Company acquires control to the date on which it relinquishes control over the subsidiary.

Profit or loss and each component of other comprehensive income are separated into the part that belongs to the owners of the parent company (the Company) and the part that belongs to the owners of non-controlling interests. The total comprehensive income of subsidiaries is attributed to the owners of the company and the owners of non-controlling interests, even if this results in a negative balance of non-controlling interests.

The accounting policies of subsidiaries are aligned with those of the parent company.

A subsidiary is defined as a company in which the parent company exercises control. Control is achieved when the parent company has power over the entity, exposure, or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect its returns. The company reassesses its control status if there are any changes to the facts and circumstances that indicate a shift in one or more of the three elements of control mentioned above. A subsidiary is defined as an entity over which the Company has direct or indirect control. This is achieved by acquiring more than 50% of the shares or voting rights, by exercising the right to appoint the majority of members of the management or supervisory board, or the right to make decisions in a subsidiary company in such a way that the controlling company controls the majority of the voting rights in the subsidiary company. In these separate financial statements,

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

investments in subsidiaries are outlined according to the cost method. The cost of investments in subsidiaries is tested for impairment at each reporting date.

Please find below a description of the basic accounting policies that have been adopted.

a) Revenue

Generally, revenue is measured on the basis of the compensation determined in the contract with the customer, and is recognized when the control over the goods or services is transferred to the customer. Transfer of control over goods or services can take place continuously (revenue recognition over time) or at a certain date (point in time recognition). Prior to recognizing income, the Company identifies the contract and performance obligations contained in the contract. The number of performance obligations depends on the type of contract and activity.

Revenue recognition under IFRS 15 for the following sources of revenue is as follows:

- Passenger revenue

Ticket sales are reported as traffic revenue when the transportation service has been provided. The value of tickets sold and still valid but not used by the statement of financial position date is reported as Air traffic liability. This item is reduced either when the Company completes the transportation service or when the passenger requests a refund. Commissions which are payable to the sales agents are recognized as the commercial and marketing expenses at the moment of sale of air transportation documents. Passenger revenue includes revenue from code-share agreements with certain other airlines. Under these agreements the Company sells seats on these airlines' flights and those other airlines sell seats on the Group's flights. When selling tickets on flights of other carriers, the Company is an agent and recognizes commission income. The revenue from other airlines' sale on our flights is recorded in the period when the flight is realized in passenger revenue in the statement of comprehensive income.

- Revenue from charter and cargo transport services

Revenue from passenger transport services in charter flights and cargo transport are recognized in the period in which the transport services are carried out. Revenue from services is recognized by the degree of completion of the transaction at the reporting date. The degree of completeness is evaluated based on the documentation of the work done. Taxes, discounts and rebates are excluded from revenue.

- Other sales revenue

Revenue from technical services, i.e. revenue from repairs and maintenance of aircraft, is recognized according to the degree of completion of the project at the reporting date. The degree of completion is determined on the basis of the hours worked and planned hours of work required for the particular project.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from the provision of education, marketing and other services are recognized in the period in which the aforementioned services are performed, minus the value added tax, discounts and rebates.

b) Interest income

Interest income is accrued on a time basis, by reference to the principal settled after due date and at the effective interest rate applicable.

c) Dividend income and income from share in profit

Dividend income and income from share in profit are recognized when the right to receive payment is established.

d) Leases

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company use the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group and the Company recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's and the Company's incremental borrowing rate. Generally, the Group and the Company use its incremental borrowing rate as the discount rate.

The Group and the Company determine their incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group / the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Group / the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group / the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Groups and the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and the Company change their assessment of whether they will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and the Company present right-of-use assets and lease liabilities separately in the statement of financial position.

***Short-term leases and leases of low-value assets**

The Group and the Company have elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group and the Company recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Foreign currencies

Transactions in currencies other than EURO are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks if such hedging is effective.

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

g) Government grants

Government grants received in the form of direct financial support without any additional conditions related are recognized in the statement of comprehensive income as other gains in the period obtained.

Government grants are recognized in profit or loss on a systematic basis over the period in which the costs are recognized for which the cover aid is intended. Grants related to property, plant and equipment are recognized in profit or loss in the periods and ratios at which the depreciation expense of that asset is recognized. In the statement of financial position the aid is deducted from the cost of acquisition of the asset when calculating cost and is recognized in profit or loss over the useful life of the depreciable asset as a reduction in depreciation expense.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

i) Property, plant and equipment

Property, plant and equipment, except for aircraft, are stated at cost less accumulated depreciation and any recognized impairment loss. Aircraft and engines are stated at their revaluated amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Costs incurred in replacing major portions of the facilities that increase their productive capacity or substantially extend their useful life are capitalized.

An element of the cost of aircraft relates to regular maintenance checks. These costs are depreciated over the period from the purchase of the aircraft till the estimated date of the first period check. Periodic checks are capitalized at the time of expenditure and depreciated over the shorter of the period to the next check or the remaining life of the aircraft.

Rotating spare parts are allocated to the type of aircraft concerned and are accounted for in the same manner as the related aircraft.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (continued)

Included in the cost of aircraft is the residual value for each type of aircraft. Depreciation is charged on a straight-line basis from the first day of the next month after the asset is ready to be used. Equipment and spare parts with useful life span over one year and individual cost value over 665 euro are recorded as property, plant and equipment. Power generating and equipment of low value used in operating activities are recorded as property, plant and equipment no matter their cost.

If as a result of the valuation is an increase of the value, increased value is recognized in the revaluation reserve. Impairment is recognized against of revaluation reserves in the amount of available revaluation surplus for the related asset, and the loss over the amount posted to the revaluation reserve is recognized in the profit and loss.

Difference between the net book value of assets that were sold or otherwise disposed of and amount realized from selling was recognized as net value directly to other income or other costs (gain / loss from sold assets).

Airbus aircraft and engines are depreciated on a straight-line basis over the period of 20 years. The cost of "12-year checks" is at a rate of 8.33%, and "6-year checks" are at a rate of 16.67%.

The Airbus, and Dash spare parts are stated at cost value and depreciated over the estimated useful life. Ground Service Equipment ("GSE") and tools are stated at cost and depreciated over 16.6 years. During 2023, the Company adjusted the depreciation rates for spare parts purchased for leased aircraft and engines, and they are depreciated over the expected useful life, including the remaining term of the lease contract. Buildings are depreciated over their estimated useful life of 20 years, and other assets over their useful life, which ranges from 4 – 10 years.

Investments in leasehold improvements refer to investments or maintenance that increase the value of assets (aircraft, engines and buildings) and regular major inspections that the Company has on the property it uses under the rental contract. Investments are recognized at cost and depreciated over the remaining term of the rental contract of assets being upgraded or the expected next regular inspection, whichever is shorter. Leasehold improvements are shown within the property with the right of use.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Investment property

Investment property relates to property that is held for long-term rental yields or appreciation. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified, in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment, where required. Depreciation for buildings is calculated using the straight-line method to allocate cost over estimated useful life (20 years).

Subsequent costs are capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment.

k) Intangible assets

Intangible assets include software, which is measured initially at purchase cost and amortized on a straight-line basis over their estimated useful life, which is two years. Exception is SAP ERP software which is amortized on a straight-line basis over its estimated useful life of eight years.

l) Investments in subsidiaries

Subsidiaries are those companies in which the Company has control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are presented in separate financial statements and stated at cost, i.e. at cost of acquisition, adjusted for impairment. An annual cost-effective impairment test is verified when events or changed circumstances indicate that the book value of the share may not be recoverable. Investments for which the impairment loss is stated are audited at each reporting date for possible rescission of the impairment.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. All Group transactions, balances, revenues and costs are eliminated in full consolidation. The subsidiaries' accounting policies are aligned with the accounting policies of the Company.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Inventories

Inventories are stated at the cost or net realizable value, depending which one is lower. Costs comprise of direct materials and, where applicable, direct labor costs and overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method (inventories of office supplies, catering and uniforms) and FIFO method (inventories of spare parts). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

n) Financial instruments

Financial instruments consist of contractual claims and rights. Financial instruments include both primary instruments, such as trade accounts receivable and payable, investments, and financial commitments and derivative financial instruments, which are used to hedge risks arising from changes in foreign exchange rates and interest rates.

Information on fair value and risk management of these financial instruments is set out below.

Financial assets and financial liabilities are recognized on the Group's and the Company's balance sheet when the subsidiary or the Company becomes a party to the contractual provisions of the instrument.

Derivative contracts initially are recognized at cost and subsequently measured at fair value. On contractual date derivatives classifies as:

- 1) hedging of fair value of recognized assets or liabilities (fair value hedge),
- 2) hedging of forecast transaction or firm commitment (cash flows hedge).

Changes in fair value of derivatives that are designated and classified as hedging and that are determined to be an effective hedge are recognized in statement of comprehensive income together with all changes in fair value of assets or liabilities that are hedged items. Gain or losses from derivative financial instruments that are used as hedging instruments are recognized regarding the nature of hedged item. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all hedging instruments to specific firm commitments or anticipated transactions.

The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. The following financial instruments are reported in the consolidated statement of financial position of the Group and separate balance sheet of the Company.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Cash and cash equivalents

For the purposes of the of statement of cash flows, cash and cash equivalents comprise cash in hand, current accounts at banks, deposits up to 90 days (from their origination date).

(ii) Investments in equity instruments

Financial instruments included in investments in equity instruments are initially recognized at cost and subsequently stated at fair value. Dividend is recognized in profit and loss, unless it is clear that dividend presents return of part of the initial investment. Gains and losses arising from changes in the fair value are recognized within other comprehensive income and are never reclassified to profit and loss.

(iii) Loans and receivables

Loans and receivables originated by the Group are stated at amortized cost applying the effective rate of interest method less provision for impairment, if any related value adjustments are recognized in the statement of comprehensive income.

(iv) Financial liabilities

Financial liabilities are settled periodically in cash or another financial asset. These include in particular trade accounts payable, amounts owed to banks and finance lease obligations. These financial liabilities are intially measured at fair value net of transaction costs and subsequently at amortised cost using the effective interest method.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The requirement and valuation of the provisions are re-examined at the reporting date each year taking into account info after the reporting date, up to the date of approval of the financial statements. Provisions in foreign currency are translated at the closing rate.

Provisions for the maintenance of leased aircraft and engines that depend on the use of the asset in question are recognized during the period in proportion to the use of aircraft and engines. The Company's monthly payments to the lessors maintenance reserve are initially recognized as prepayments and are netted to the maintenance provisions when an inspection or overhaul is performed. Maintenance provisions that the Company must make at the end of the lease immediately before returning the subject property to the lessor, regardless of its use, are recognized on initial recognition of the lease.

p) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

q) Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Application of new standards, interpretations and amended International Financial Reporting Standards (IFRSs)

Initial application of new amendments to the existing standards and interpretations effective for the current financial period.

The following amendments to existing standards issued by the International Accounting Standards Board ("IASB") and adopted by the European Union are effective for the period beginning on or after 1 January 2024:

- Supplier Financing Arrangements (Amendment to IAS 7 "Cash Flow Statement" and IFRS 7 "Financial Instruments: Disclosures")
- Lease Obligation in a Sale and Leaseback Transaction, effective for annual periods beginning on or after 1 January 2024 (Amendment to IFRS 16 "Leases")
- Classification of Liabilities as Current or Non-Current (Amendment to IAS 1 "Presentation of Financial Statements")
- Long-term Commitments Related to Covenants (Amendment to IAS 1 "Presentation of Financial Statements"),

The adoption of these amendments to existing standards did not lead to significant changes in the Company's/Group financial statements.

Standards, amendments to existing standards and interpretations issued by the IASB and adopted in the European Union, but not yet effective

The following amendments are effective for annual reporting periods beginning on or after 1 January 2025:

- The Effects of Changes in Foreign Exchange Rates: Non-Conversion (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates).

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

IFRSs currently adopted in the European Union do not differ significantly from the provisions adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to existing standards, the adoption of which has not yet been decided by the European Union (the effective dates below refer to IFRSs issued by the IASB): The following amendments are effective for annual reporting periods beginning on or after 1 January 2026:

- Amendments to Classification and Measurement of Financial Instruments (Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures")
- Contracts relating to electricity dependent on nature (Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures").

The following standards are effective for annual reporting periods beginning on or after 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Non-Publicly Responsible Subsidiaries: Disclosures.

The Company/Group is currently assessing the impact of these new accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements, issued by the IASB in April 2024, replaces IAS 1 and will result in major consequential changes to IFRS accounting standards, including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Although IFRS 18 will not have any impact on the recognition and measurement of items in separate/consolidated annual financial statements, it is expected to have a significant impact on the presentation and disclosure of certain items. These changes include categorization and subtotals in the statement of profit or loss, aggregation/disaggregation and labeling of information and the disclosure of performance measures defined by management.

The Company/Group does not expect to be entitled to apply IFRS 19.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards, adopted by the European Union, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

The Company has made the following judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year or that have a significant effect on the amounts recognized in the financial statements.

(i) Financial assets and liabilities

Fair values of the financial assets and liabilities are determined using generally accepted methods. Because no quoted market prices are available for a significant part of the Company's financial assets and liabilities, the fair values of such items have been derived based on management's assumptions with respect to future economic conditions, the amount and timing of future statement of cash flows and estimated discount rates. Management believes that the fair value of all assets and liabilities on the statement of financial position of the Group and the Company is not materially different from their carrying amounts.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

(ii) Impairment losses on cash-generating units

Determining indicators for potential impairment requires management to make estimates regarding external and internal factors that affect the recoverability of these assets. If there is any indication of impairment, the Company provides an estimate of the recoverable amount. An impairment loss is the amount by which the carrying amount of a cash-generating unit exceeds its recoverable amount.

The calculation of the recoverable amount requires estimates of future cash flows associated with the asset or cash-generating unit, the operating plan and the plan of operating income and operating expenses, as well as profitability, discount rate and growth rates.

The Company's management estimates that the Company's assets form a single cash-generating unit as aircraft, both owned and leased, are not dedicated to individual flights and a flight plan is developed to optimize costs at the Company level.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

3. GOING CONCERN

As the national flag carrier, Croatia Airlines plays a key role in connecting Croatia with other European and global destinations, thus boosting the country's economy, tourism and social connectivity. In order to ensure long-term stability and competitiveness, the Company focuses on laying the foundations for sustainable growth and adaptation to changing market conditions by defining key strategic goals:

- Profitability;
- Responsibility to shareholders;
- Capital increase;
- Fleet renewal and optimisation;
- Implementation of the Public Service Obligation (PSO) contract.

In order to achieve the above strategic goals, the Company has initiated, or will initiate, the following measures:

Fleet structure optimisation

The Company's key strategic goal is to replace the existing fleet with 15 new Airbus A220 aircraft. In 2024, the Company intensified activities related to the introduction of new Airbus A220 aircraft into the fleet and their commissioning. The first Airbus A220 joined the fleet on 30 July 2024, and another one was delivered on 20 December 2024.

Optimisation and expansion of the destinations network

Despite the delayed delivery of new aircraft and the significantly increased time required for the base maintenance of the existing fleet, the Company recorded 2% more flights and 6% more passengers than in 2023. Within the summer flight schedule, the Company further expanded its network of international destinations by introducing new routes from Zagreb to Berlin, Stockholm and Tirana, and from Split to Istanbul, and the 2025 plan envisages further growth in the number of destinations.

Increase in passenger revenues

The diversification of service prices and further digitalisation of all commercial activities in order to exploit new revenue potential, together with the 2% increase in the number of flights and the 6% growth in the number of passengers, contributed to a 5% increase in passenger revenues compared to 2023. This creates the conditions for greater revenue growth in the coming years, despite the challenges of the transition period in terms of network stability and capacities offered.

Increase in non-flight revenues

The Company's goal is to achieve productivity growth and increase the scope of maintenance work for third parties, with maximum utilisation of the hangar capacity, made possible by the replacement of Croatia Airlines' old fleet with new aircraft.

Optimisation of business processes

The Company continues to optimise its business processes, with a particular focus on the digitalisation of operational traffic and maintenance processes and further improvement of its commercial platform. This includes improvements to the documentation management system, the reengineering of the revenue reporting process in SAP, a new traffic statistics monitoring system and a new financial planning application. The adaptation of all existing systems for the introduction of the new aircraft type is also a challenge.

In defining its strategic goals, Croatia Airlines identified two key risks in the fleet transition process: maintenance of the old fleet and delays in the delivery of new aircraft by the manufacturer.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

3. GOING CONCERN (CONTINUED)

Although the goals were carefully defined and all appropriate measures were taken to mitigate the identified risks, the unforeseeable external factors beyond the Company's control had a negative impact on the operational processes and financial performance in 2024 and required corresponding operational adjustments, with the transition costs significantly driving up the operating costs.

The realised revenue growth was insufficient to cover total costs and Croatia Airlines recorded a net loss of EUR 19.6 million, of which EUR 19.4 million is due to negative cost and revenue effects of the transition period of fleet renewal. At the same time, a positive EBITDA of EUR 7.3 million indicates operating profitability before interest and depreciation. Despite the envisaged net losses during the fleet renewal transition period, EBITDA indicators will show positive growth.

Croatia Airlines' experience in the transition year of 2024 suggests that it will continue to face the same challenges and risks in 2025, for which a negative financial result on a positive EBITDA is forecast. Another five Airbus A220 aircraft are expected to join the fleet in 2025.

In order to successfully bridge the financially demanding transition period of fleet renewal, Croatia Airlines expects further support from its owner – the Republic of Croatia, in the form of recapitalisation, which will create the necessary conditions for sustainable operations in the period after the entire fleet has been replaced. The implementation of the above strategic goals and the continuation of the privatisation process, once the conditions are met, will reduce the risks and uncertainties regarding the Company's ability to continue as a going concern in the period ahead, and lay a solid foundation for future sustainable growth and development.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

4. PASSENGER TRAFFIC

	2024	2023
	Croatia Airlines d.d. and Group	Croatia Airlines d.d. and Group
	EUR	EUR
	thousand	thousand
Scheduled services	212,143	199,126
Charter services	8,535	9,656
	220,678	208,782

Revenue by geographical area based on sales origin:

	2024	2023
	Croatia Airlines d.d. and Group	Croatia Airlines d.d. and Group
	EUR	EUR
	thousand	thousand
Croatia	78,341	73,074
Greece	25,819	19,834
USA	20,523	23,384
Germany	19,861	17,329
France	9,489	7,934
Netherlands	5,296	5,846
Switzerland	4,414	5,011
Other countries	77,458	56,370
	220,678	208,782

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

5. OTHER SALES REVENUE

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Revenue from technical services to others	6,963	7,361	6,963	7,361
Commission income from foreign air	736	1,173	736	1,173
Revenue from reservation system services	1,090	1,125	367	373
Revenue from advertising services	2,850	2,560	2,850	2,560
Revenue from educational services	490	381	490	381
Mileage related revenue	527	516	527	516
Other	2,291	2,076	1,225	774
	14,947	15,192	13,158	13,138

6. OTHER INCOME

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Income from PSO	17,599	15,558	17,599	15,558
Gain from sale of property, plant and equipment	96	9,490	96	9,490
Bad debts collected	11	2	11	2
Income from sale of spare parts	18	10	18	10
Other income	2,594	4,342	2,569	4,317
	20,318	29,402	20,293	29,377

Income from PSO arises from the differences of unrealized income in relation to the costs from maintaining domestic scheduled air transport from the Croatian Government (PSO - Public Service Obligation). The amount of PSO is determined as the difference between revenues from certain domestic flights and related direct flight operations expense, and realized as a part of project of maintaining connectivity of regions in domestic airline traffic.

The profit from the sale of property, plant and equipment in 2023 included the effect of the implementation of the Sale and Leaseback Agreement and is calculated as the difference between the book value of the aircraft and engines and the discounted value of the assets with the right of use, calculated on the basis of the total contracted fixed obligations until the end of the lease (according to the rules of IFRS-16).

Other income includes income from approved discounts, other income from previous years, income from cancellation of provisions and other miscellaneous income.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

7. EXPENSES BY NATURE

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Fuel	48,561	50,802	48,561	50,802
Airport costs	39,169	36,105	39,169	36,105
Staff costs	51,501	42,404	50,733	41,667
Rental and maintenance of engines and parts	25,602	26,402	25,602	26,402
Aircraft lease	10,891	817	10,891	817
Air traffic control costs	17,528	17,188	17,527	17,188
Reservation system costs	11,733	11,132	11,733	11,132
Amortisation and depreciation	21,957	19,016	21,916	18,976
Commission costs	6,880	7,532	6,880	7,532
Catering	3,064	2,629	3,064	2,629
Consumables	3,902	2,934	3,902	2,934
Promotion costs	2,589	2,255	2,589	2,255
Other expenses	29,221	30,923	28,577	29,839
	272,598	250,139	271,144	248,278

8. STAFF COSTS

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Net wages and salaries	24,681	20,331	24,256	19,926
Taxes and contributions form salaries	11,566	9,471	11,375	9,291
Contributions on salaries	7,982	6,637	7,888	6,549
Other employee related costs	7,272	5,965	7,214	5,901
	51,501	42,404	50,733	41,667

As at 31 December 2024 the Group had 967 employees (Croatia Airlines d.d. 943, Amadeus Croatia d.d. 6 and Obzor putovanja d.o.o. 18) while as at 31 December 2023 the Group had 935 employees (Croatia Airlines d.d. 911, Amadeus Croatia d.d. 6 and Obzor putovanja d.o.o. 18) ; (see Note 36).

Staff costs are distributed and allocated in statement of comprehensive income within items of operating costs according to ICAO (International Civil Aviation Organization) methodology.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

9. FINANCE INCOME

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Positive foreign exchange differences	9,428	7,909	9,428	7,906
Interest income	2,152	1,460	2,159	1,463
Income from share on profits and dividends	3	-	137	93
	<u>11,583</u>	<u>9,369</u>	<u>11,724</u>	<u>9,462</u>

10. FINANCE COSTS

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Negative foreign exchange differences	10,330	8,347	10,328	8,341
Interest expense	4,995	2,947	4,994	2,945
Other finance costs	-	6	-	6
	<u>15,325</u>	<u>11,300</u>	<u>15,322</u>	<u>11,292</u>

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

11. INCOME TAX EXPENSE

Income tax in Croatia is calculated at the rate of 18% (2023: 18%), which is applied to taxable profit for the current year. Subsidiaries calculate income tax at the rate of 18% (Obzor putovanja d.o.o.) and at the rate of 10% (Amadeus Croatia d.d.).

The Company does not have income tax liability for current year due to accumulated losses from previous years.

The reconciliation between the income tax and the profit included in statement of comprehensive income is as follows:

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Loss before tax	(19,355)	2,369	(19,571)	2,252
Tax at statutory rate	(3,484)	426	(3,523)	405
Non-deductible expenses	112	245	111	243
Non-taxable income	(51)	(29)	(51)	(29)
Tax incentives	(169)	(100)	(168)	(101)
Tax losses for which deferred tax asset is not recognised	3,632	-	3,631	-
Utilised tax losses for which deferred tax asset was not recognised	-	(541)	-	(518)
Effect of diferent tax rates	-	6	-	-
Income tax	40	7	-	-

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

11. INCOME TAX EXPENSE (CONTINUED)

Overview of tax losses at the level of the Company available for utilization against future taxable profits is as follows:

	2024	2024	2023	2023
	Tax losses available for utilisation	Tax allowance at tax rate of 18%	Tax losses available for utilisation	Tax allowance at tax rate of 18%
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Loss from 2020 (expires 2025)	60,511	10,892	9,024	1,624
Loss from 2021 (expires 2026)	40,942	7,370	60,511	10,892
Loss from 2022 (expires 2027)	18,077	3,254	40,942	7,370
Loss from 2024 (expires 2029)	20,177	3,632	18,077	3,254
	139,707	25,147	128,554	23,140

Tax loss of the subsidiaries is as follows:

	2024	2024	2023	2023
	Tax losses available for utilisation	Tax allowance at tax rate of 10%	Tax losses available for utilisation	Tax allowance at tax rate of 10%
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Loss from 2021 (expires 2026)	116	12	111	11
Loss from 2022 (expires 2027)	21	2	23	2
	137	14	134	13

Deferred tax asset has not been recognized due to uncertainty as to whether sufficient future taxable income will be available against which the tax losses could be utilized. The non-recognized tax asset has been calculated using the tax rate enacted at the reporting date.

Upon revaluation of the engine in the total amount of EUR 8,053 thousand, the Company recognized a deferred tax liability in the amount of EUR 1,450 thousand in 2024.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

12. INTANGIBLE ASSETS

Croatia Airlines Group

2024	Software EUR thousand	Leashold improvements EUR thousand	Intangible assets under construction EUR thousand	Total EUR thousand
COST				
Balance at 1 January 2024	5,016	1,381	446	6,843
Additions	325	323	302	950
Disposals	-	-	-	-
Fx differences	-	-	-	-
Balance at 31 December 2024	<u>5,341</u>	<u>1,704</u>	<u>748</u>	<u>7,793</u>
ACCUMULATED AMORTIZATION				
Balance at 1 January 2024	4,731	1,335	-	6,066
Charge for the year	156	77	-	233
Transfer	-	-	-	-
Transfer to property, plant and equipment	-	-	-	-
Disposal	-	-	-	-
Fx differences	-	-	-	-
Balance at 31 December 2024	<u>4,887</u>	<u>1,412</u>	<u>-</u>	<u>6,299</u>
NET BOOK VALUE				
Balance at 31 December 2024	<u>454</u>	<u>292</u>	<u>748</u>	<u>1,494</u>
Balance at 1 January 2024	<u>285</u>	<u>46</u>	<u>446</u>	<u>777</u>
2023				
COST				
Balance at 1 January 2023	5,333	1,373	112	6,818
Additions	183	15	388	586
Transfer	54	-	(54)	-
Transfer from property, plant and equipment	-	-	-	-
Disposals	(554)	(7)	-	(561)
Fx differences	-	-	-	-
Balance at 31 December 2023	<u>5,016</u>	<u>1,381</u>	<u>446</u>	<u>6,843</u>
ACCUMULATED AMORTIZATION				
Balance at 1 January 2023	5,118	1,282	-	6,400
Charge for the year	168	60	-	228
Transfer	-	-	-	-
Disposals	(555)	(7)	-	(562)
Fx differences	-	-	-	-
Balance at 31 December 2023	<u>4,731</u>	<u>1,335</u>	<u>-</u>	<u>6,066</u>
NET BOOK VALUE				
Balance at 31 December 2023	<u>285</u>	<u>46</u>	<u>446</u>	<u>777</u>
Balance at 1 January 2023	<u>215</u>	<u>91</u>	<u>112</u>	<u>418</u>

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

12. INTANGIBLE ASSETS (CONTINUED)

Croatia Airlines d.d.

2024	Software EUR thousand	Leashold improvements EUR thousand	Intangible assets under construction EUR thousand	Total EUR thousand
COST				
Balance at 1 January 2024	5,016	1,381	446	6,843
Additions	325	323	302	950
Transfer	-	-	-	-
Transfer from property, plant and equipment	-	-	-	-
Disposals	-	-	-	-
Fx differences	-	-	-	-
Balance at 31 December 2024	5,341	1,704	748	7,793
ACCUMULATED AMORTIZATION				
Balance at 1 January 2024	4,731	1,335	-	6,066
Charge for the year	156	77	-	233
Transfer	-	-	-	-
Transfer from property, plant and equipment	-	-	-	-
Disposals	-	-	-	-
Fx differences	-	-	-	-
Balance at 31 December 2024	4,887	1,412	-	6,299
NET BOOK VALUE				
Balance at 31 December 2024	454	292	748	1,494
Balance at 1 January 2024	285	46	446	777

2023	Software EUR thousand	Leashold improvements EUR thousand	Intangible assets under construction EUR thousand	Total EUR thousand
COST				
Balance at 1 January 2023	5,303	1,366	112	6,781
Additions	183	15	388	586
Transfer	54	-	(54)	-
Transfer from property, plant and equipment	-	-	-	-
Disposals	(524)	-	-	(524)
Fx differences	-	-	-	-
Balance at 31 December 2023	5,016	1,381	446	6,843
ACCUMULATED AMORTIZATION				
Balance at 1 January 2023	5,088	1,275	-	6,363
Charge for the year	168	60	-	228
Transfer from property, plant and equipment	-	-	-	-
Disposals	-	-	-	-
Correction of accumulated amortisation	(525)	-	-	(525)
Fx differences	-	-	-	-
Balance at 31 December 2023	4,731	1,335	-	6,066
NET BOOK VALUE				
Balance at 31 December 2023	285	46	446	777
Balance at 1 January 2023	215	91	112	418

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

Croatia Airlines Group						
2024	Land and buildings	Equipment and other	Aircraft	Spare parts, GSE and tools	Property, plant and equipment in progress	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
COST OR VALUATION						
Balance at 1 January 2024	9,619	8,553	-	19,358	2,370	39,900
Additions	147	13,634	-	5,443	-	19,224
Transfer	43	(51)	-	234	(43)	183
Transfer to intangible assets	-	8,053	-	-	-	8,053
Disposals	-	(377)	-	(286)	(1,332)	(1,995)
Balance at 31 December 2024	<u>9,809</u>	<u>29,812</u>	<u>-</u>	<u>24,749</u>	<u>995</u>	<u>65,365</u>
ACCUMULATED DEPRECIATION						
Balance at 1 January 2024	5,163	6,957	-	14,147	-	26,267
Charge for the year	245	1,274	-	1,487	-	3,006
Transfer	-	19	-	88	-	107
Depreciation correction	-	-	-	35	-	35
Transfer to investment property	-	-	-	38	-	38
Transfer to intangible assets	-	(51)	-	-	-	(51)
Disposals	-	(374)	-	(130)	-	(504)
Balance at 31 December 2024	<u>5,408</u>	<u>7,825</u>	<u>-</u>	<u>15,665</u>	<u>-</u>	<u>28,898</u>
NET BOOK VALUE						
Balance at 31 December 2024	<u>4,401</u>	<u>21,987</u>	<u>-</u>	<u>9,084</u>	<u>995</u>	<u>36,467</u>
Balance at 1 January 2024	<u>4,456</u>	<u>1,596</u>	<u>-</u>	<u>5,211</u>	<u>2,370</u>	<u>13,633</u>

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Croatia Airlines Group

2023	Land and buildings	Equipment and other	Aircraft	Spare parts, GSE and tools	Property, plant and equipment in progress	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
COST OR VALUATION						
Balance at 1 January 2023	9,619	7,869	160,917	25,378	28	203,811
Additions	-	1,165	-	1,919	2,342	5,426
Transfer to intangible assets	-	-	-	(88)	-	(88)
Disposals	-	(481)	(160,917)	(7,851)	-	(169,249)
Balance at 31 December 2023	<u>9,619</u>	<u>8,553</u>	<u>-</u>	<u>19,358</u>	<u>2,370</u>	<u>39,900</u>
ACCUMULATED DEPRECIATION						
Balance at 1 January 2023	4,885	6,877	143,095	19,321	-	174,178
Charge for the year	278	553	2,753	1,206	-	4,790
Transfer	-	8	-	701	-	709
Transfer to intangible assets	-	-	-	(22)	-	(22)
Disposals	-	(481)	(145,848)	(7,060)	-	(153,389)
Balance at 31 December 2023	<u>5,163</u>	<u>6,957</u>	<u>-</u>	<u>14,147</u>	<u>-</u>	<u>26,267</u>
NET BOOK VALUE						
Balance at 31 December 2023	<u>4,456</u>	<u>1,596</u>	<u>-</u>	<u>5,211</u>	<u>2,370</u>	<u>13,633</u>
Balance at 1 January 2023	<u>4,734</u>	<u>992</u>	<u>17,822</u>	<u>6,057</u>	<u>28</u>	<u>29,633</u>

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Croatia Airlines d.d.

2024	Land and buildings	Equipment and other	Aircraft	Spare parts, GSE and tools	Property, plant and equipment in progress	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
COST OR VALUATION						
Balance at 1 January 2024	9,619	8,430	-	19,358	2,370	39,778
Additions	147	13,611	-	5,443	-	19,201
Transfer	43	(51)	-	234	(43)	182
Transfer from intangible assets	-	8,053	-	-	-	8,053
Disposals	-	(377)	-	(286)	(1,332)	(1,995)
Balance at 31 December 2024	9,809	29,666	-	24,749	995	65,219
ACCUMULATED DEPRECIATION						
Balance at 1 January 2024	5,163	6,882	-	14,147	-	26,193
Charge for the year	245	1,246	-	1,487	-	2,977
Transfer	-	19	-	88	-	107
Depreciation correction	-	-	-	35	-	35
Transfer to investment property	-	-	-	38	-	38
Transfer from intangible assets	-	(51)	-	-	-	(51)
Disposals	-	(374)	-	(129)	-	(503)
Balance at 31 December 2024	5,408	7,722	-	15,665	-	28,796
NET BOOK VALUE						
Balance at 31 December 2024	4,401	21,944	-	9,084	995	36,423
Balance at 1 January 2024	4,456	1,548	-	5,211	2,370	13,585

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Croatia Airlines d.d.						
2023	Land and buildings	Equipment and other	Aircraft	Spare parts, GSE and tools	Property, plant and equipment in progress	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
COST OR VALUATION						
Balance at 1 January 2023	9,619	7,779	160,917	25,378	28	203,721
Additions	-	1,130	-	1,919	2,342	5,391
Transfer to intangible assets	-	-	-	(88)	-	(88)
Disposals	-	(479)	(160,917)	(7,851)	-	(169,247)
Balance at 31 December 2023	<u>9,619</u>	<u>8,430</u>	<u>-</u>	<u>19,358</u>	<u>2,370</u>	<u>39,778</u>
ACCUMULATED DEPRECIATION						
Balance at 1 January 2023	4,885	6,811	143,095	19,321	-	174,112
Charge for the year	278	542	2,753	1,206	-	4,780
Transfer	-	8	-	701	-	710
Transfer to intangible assets	-	-	-	(22)	-	(22)
Disposals	-	(479)	(145,848)	(7,060)	-	(153,386)
Balance at 31 December 2023	<u>5,163</u>	<u>6,882</u>	<u>-</u>	<u>14,147</u>	<u>-</u>	<u>26,193</u>
NET BOOK VALUE						
Balance at 31 December 2023	<u>4,456</u>	<u>1,548</u>	<u>-</u>	<u>5,211</u>	<u>2,370</u>	<u>13,585</u>
Balance at 1 January 2023	<u>4,734</u>	<u>969</u>	<u>17,822</u>	<u>6,058</u>	<u>28</u>	<u>29,610</u>

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

On July 30, 2024, Croatia Airlines welcomed its first A220 aircraft, and on December 20, 2024, a second Airbus A220 aircraft arrived, thus beginning the renewal of the entire fleet with new and more technologically advanced aircraft.

Fleet as at 31 December 2024

Aircraft type	number	ownership
Airbus A220	2	operating lease
Airbus A320	2	operating lease
Airbus A319	4	operating lease
Dash 8-Q400	6	operating lease
Total	14	

Property, plant and equipment under construction

Assets under construction in the amount of EUR 995 thousand relate to the advance payment for engines in the amount of EUR 995 thousand (2023:assets under construction in the amount of EUR 2,370 thousand relate mainly to the advance payment for engines in the amount of EUR 2,327 thousand).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

14. INVESTMENTS IN SUBSIDIARIES

Name	Main activity	Share	2024	2023	2024	2023
			Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
			EUR thousand	EUR thousand	EUR thousand	EUR thousand
Obzor putovanja d.o.o.	Tourism	100%	-	-	135	135
Amadeus Croatia d.d.	Marketing services	95%	-	-	211	211
			<u>-</u>	<u>-</u>	<u>346</u>	<u>346</u>

Subsidiaries are founded in the Republic of Croatia. The percentages above refer to percentage ownership and voting rights.

15. PREPAYMENTS AND ACCRUED REVENUE

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Prepayments for maintenance of aircrafts and engines	38,307	32,571	38,307	32,571
	<u>38,307</u>	<u>32,571</u>	<u>38,307</u>	<u>32,571</u>

16. NON-CURRENT DEPOSITS

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Deposits given to suppliers	9,269	7,877	9,191	7,875
Deposits at banks for employee loans	101	131	101	131
Deposits for bank guarantees	4,057	4,341	3,892	4,101
Deposits for business premises lease	48	35	48	35
	<u>13,475</u>	<u>12,384</u>	<u>13,232</u>	<u>12,142</u>

Non-current deposits given to suppliers consist of deposits given as guarantees to suppliers in the amount of EUR 9,191 thousand (2023: deposits given as guarantees to suppliers in the amount of EUR 7,875 thousand).

Interest rates on the non - current deposits for specified purpose loans for employees are 0% – 0.75%

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

17. INVESTMENTS IN EQUITY INSTRUMENTS

Share	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Investments in equity instruments	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>
	25	25	25	25

Investments in equity instruments are classified as long-term financial assets and refer to Star Alliance shares.

18. NON-CURRENT RECEIVABLES

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Advance payments	14,398	13,609	14,398	13,609
Receivables for sold flats	<u>2</u>	<u>3</u>	<u>2</u>	<u>3</u>
	14,400	13,612	14,400	13,612

In 2022, Croatia Airlines continued its negotiations with Airbus and concluded an annex to the purchase contract of April 2008, replacing the existing commitments related to the A320neo aircraft with a new commitment for the purchase of six Airbus A220 aircraft.

Advances made in the amount of EUR 14,398 thousand (2023: EUR 13,609 thousand) will be used to finance the new Airbus A220 fleet. The advance payment was paid in the amount of USD 15,037 thousand, the difference in the amount stated in EUR relates to the exchange rate conversion from USD to EUR on 31 December.

Long-term receivables for apartments in tenant purchase arrangements refer to claims for seven such apartments. In accordance with the Act on the Sale of Leasehold Apartments (Official Gazette 43/92), the term of the receivables is between 16 and 30 years with an interest rate of 1% per year.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

19. INVENTORIES

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Consumable spare parts	11,401	9,424	11,401	9,424
Catering, supplies and other inventories	217	178	217	178
	11,618	9,602	11,618	9,602

Spare parts are recognized as cost when put in use, while rotatable spare parts are included in the category of fixed assets property, plant and equipment.

20. TRADE RECEIVABLES

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Domestic trade receivables	4,349	4,704	3,788	4,049
Foreign trade receivables	10,494	11,424	10,400	11,278
Allowance for doubtful receivables	(760)	(754)	(760)	(754)
	14,083	15,374	13,428	14,573

The following tables show changes in allowance for expected credit losses:

	2024	2024
	Croatia Airlines Group	Croatia Airlines d.d.
	EUR thousand	EUR thousand
Allowance for doubtful receivables		
1 January	777	777
Increase	26	26
Decrease	(11)	(11)
Write-offs	(59)	(59)
Foreign exchange differences	27	27
31 December	760	760

	2023	2023
	Croatia Airlines Group	Croatia Airlines d.d.
	EUR thousand	EUR thousand
Allowance for doubtful receivables		
1 January	767	767
Write-offs	(1)	(1)
Foreign exchange differences	11	11
31 December	777	777

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

21. OTHER RECEIVABLES

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Receivables from employees	25	12	25	12
Receivables from the State	4,077	1,590	4,051	1,571
Receivables for advances	1,257	1,371	1,238	1,349
Loans receivable	-	-	175	250
Other receivables	477	455	477	443
	<u>5,836</u>	<u>3,428</u>	<u>5,966</u>	<u>3,625</u>

22. PREPAYMENTS AND ACCRUED REVENUE

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Prepayments	1,018	1,139	921	1,043
Accrued revenue	1,842	767	1,842	767
	<u>2,860</u>	<u>1,906</u>	<u>2,763</u>	<u>1,810</u>

23. CURRENT DEPOSITS

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Deposits	1,110	3,647	1,101	3,646
	<u>1,110</u>	<u>3,647</u>	<u>1,101</u>	<u>3,646</u>

Deposits are mostly related to guarantee deposits for tickets sold on the American and European markets.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

24. CASH AND CASH EQUIVALENTS

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Gyro account	2,565	11,017	1,755	10,234
Foreign currency accounts	1,857	5,316	1,857	5,307
Petty cash	1	2	-	-
Foreign currency petty cash	1	1	1	1
Short-term deposits	41,214	63,577	41,214	63,578
	45,638	79,913	44,827	79,120

Short-term deposits represent term deposits in banks with a maturity of up to 90 days, with an annual interest rate of 2.45% to 5.16%.

25. SHARE CAPITAL

As at 31 December ownership structure was as follows:

2024	Number of shares	EUR thousand	Share %
Shareholders			
Republic of Croatia	91,610,821	91,611	99.16
Zagreb International Airport	477,121	477	0.52
HPB for Republic of Croatia	173,768	174	0.19
Others	126,243	126	0.13
	92,387,953	92,388	100.00
2023	Number of shares	EUR thousand	Share %
Shareholders			
Republic of Croatia	91,610,821	91,611	99.16
Zagreb International Airport	477,121	477	0.52
HPB for Republic of Croatia	173,768	174	0.19
Others	126,243	126	0.13
	92,387,953	92,388	100.00

Share capital of the Company amounts EUR 92,388 thousand (2023: EUR 92,388 thousand) and is divided in 92,387,953 ordinary shares (2023: 92,387,953) with a nominal value of EUR 1.00 each.

Based on the decision rendered by the General Assembly on 22 December 2022, the Company's share capital was increased by cash contribution and issuance of new shares as financial aid from the Republic of Croatia in accordance with the Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak. The decision to increase the Company's share capital by EUR 39,286 thousand, i.e. from EUR 83,334 thousand to EUR 122,620 thousand, was registered with the Commercial Court of Zagreb on 5 January 2023. In order to increase the share capital, a total of 29,600,000 new registered shares with a nominal value of EUR 1.33 each were issued.

Pursuant to the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia, and based on the decision of the General Assembly of 13 April 2023, the Company adjusted the nominal value per share by rounding it to one euro as the nearest integer. As a result, the Company's share capital was adjusted in a way that it was reduced by EUR 30,232 thousand, i.e. from EUR 122,620 thousand to EUR 92,388 thousand.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

26. RESERVES

Legal reserves

In accordance with the law, the legal reserve is formed as at least 5% of the profit for the year until the total legal reserve reaches 5% of the share capital of the Company. Based on the decision of the Assembly of 10 July 2020, legal reserves are used for covering losses so as of 31 December 2024 and 31 December 2023 the Company does not have any legal reserves.

Other capital reserves

As of 31 December 2024, Croatia Airlines has no other capital reserves.

Other capital reserves at the Group level included reserves of subsidiaries. The company Obzor putovanja d.o.o. has other capital reserves in the amount of EUR 546 thousand (2023: EUR 546 thousand), while the same in the company Amadeus Croatia amounts to EUR 48 thousand (2023: EUR 48 thousand).

Fair value reserve

The revaluation reserve of Croatia Airlines d.d. in the amount of EUR 7,016 thousand (2023: EUR 412 thousand) arose from the adjustment of the fair valuation of long-term tangible assets (owned engines) to their market value.

Protection reserve

As of 31 December 2024, the Company and the Group have no cash flow hedging instruments.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

27. BASIC AND DELUTED (LOSS)/EARNINGS PER SHARE

Earnings per share are calculated based on the net result attributable to shareholders and weighted average of ordinary shares and the number of ordinary shares as follows:

	2024 Croatia Airlines Group EUR	2023 Croatia Airlines Group EUR
Profit/(loss) for the year in thousands	<u>(19,395)</u>	<u>2,362</u>
Number of issued shares	92,387,953	92,387,953
Basic and diluted pofit/(loss) per share in EUR	<u>(0.21)</u>	<u>0.03</u>

	2024 Croatia Airlines d.d. EUR	2023 Croatia Airlines d.d. EUR
Profit/(loss) for the year in thousands	<u>(19,571)</u>	<u>2,252</u>
Number of issued shares	92,387,953	92,387,953
Basic and diluted pofit/(loss) per share in EUR	<u>(0.21)</u>	<u>0.02</u>

Diluted earnings per share is equal to basic earnings per share as the Company did not have convertible instruments nor share options.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

28. PROVISIONS

Provisions of the Group and Companies are as follows:

	Provision for court cases	severance payments and jubilee awards	maintenance of leased aircrafts and engines	Other provisions	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Non-current provisions	1,424	279	38,000	250	39,953
Current provisions	-	-	3,710	-	3,710
Balance as at 31 December 2023	1,424	279	41,710	250	43,663
Balance as at 31 December 2023	1,424	279	41,710	250	43,663
Provisions made during year	-	50	15,609	-	15,659
Provisions used during year	-	-	(10,677)	(10)	(10,687)
Provisions reversed during year	(344)	-	-	(120)	(464)
Foreign exchange differences	-	-	2,841	-	2,841
Balance as at 31 December 2024	1,080	329	49,483	120	51,012
Non-current provisions	1,080	329	43,194	120	44,723
Current provisions	-	-	6,289	-	6,289
Balance as at 31 December 2024	1,080	329	49,483	120	51,012

Provision for legal claims refers to provision that relates to two labor dispute. Provisions are based on assessments of lawyers who represent the Company and key management of the Company.

Provisions for severance payments relates to the estimated long-term employee benefits at the time of retirement and achievements of the jubilee award for 25 years of work, in accordance with the Collective Agreement. The obligation is calculated by independent actuaries. Significant assumptions used by the actuary are as follows: an annual leaver's rate, an annual discount rate, the age of retirement is determined for each individual employee taking into account their present age and the overall realized years of work experience.

Provisions for the maintenance of leased aircraft and engines consist of provisions for the maintenance of leased aircraft and engines based on their use in the amount of EUR 38,307 thousand (2023: EUR 32,570 thousand) and maintenance provisions that must be made at the end of the lease immediately before the return of the subject property to the lessor, regardless of its use, in the amount of EUR 11,174 thousand (2023: EUR 9,140 thousand).

With regard to other provisions (in 2024: EUR 120 thousand, in 2023: EUR 250 thousand), the amount of EUR 120 thousand refers to the provisions for passenger obligations.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

29. LONG-TERM LOANS

	2024 Croatia Airlines Group	2023 Croatia Airlines Group	2024 Croatia Airlines d.d.	2023 Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Non-current loans	82,609	81,654	82,592	81,654
Current portion of non-current loans	(4)	-	-	-
	<u>82,605</u>	<u>81,654</u>	<u>82,592</u>	<u>81,654</u>

Description of non-current loans is as follows:

Loan purpose	Original currency	Annual interest rate	2024 EUR thousand	2023 EUR thousand
Loan for maintaining financial stability	HRK	2.00%	36,555	35,891
Loan for maintaining financial stability	HRK	0.72% - 2.22%	33,304	33,181
Loan for maintaining financial stability	HRK	0.72% - 2.22%	12,733	12,582
Loan for maintaining financial stability	EUR	6.75%	13	-
Non-current loans			<u>82,605</u>	<u>81,654</u>

The repayment schedule for non-current loans is as follows:

	2024 Croatia Airlines Group	2024 Croatia Airlines d.d.
	EUR thousand	EUR thousand
2025	3	-
2026	4	-
2027	69,863	69,859
After 2027	12,735	12,733
	<u>82,605</u>	<u>82,592</u>

The carrying amount of non-current loans corresponds to their fair value.

The loan was received from the Ministry of the Sea, Transport and Infrastructure of the Republic of Croatia with an interest rate of 0.72-2.22%.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

29. LONG-TERM LOANS (CONTINUED)

Alignment of long-term loan liabilities with cash flows from financial activities of the Group and the Company is shown as follows:

	2024 Non current loans	2024 Current loans	Total of loans
	EUR thousand	EUR thousand	EUR thousand
CROATIA AIRLINES GROUP			
Balance at 1 January 2024	81,654	-	81,654
<i>Changes in financial cash flows</i>			
Loans received (vehicle finance leasing)	17	-	17
Short-term of long-term loan (transfer)	(4)	-	(4)
Loan repayment	-	-	-
Total changes from financial cash flows	13	-	13
<i>Other changes</i>			
Compensated with a claim from the cardholder	-	-	-
Interest liability	938	-	938
Short-term of a long-term loan	-	-	-
Exchange rate conversion effect	-	-	-
Total other changes	938	-	938
Balance at 31 December 2024	82,605	-	82,605
	2023 Non current loans	2023 Current loans	Total of loans
	EUR thousand	EUR thousand	EUR thousand
Balance at 1 January 2023	83,843	-	83,843
<i>Changes in financial cash flows</i>			
Loans received	-	-	-
Loan repayment	(2,950)	-	(2,950)
Total changes from financial cash flows	(2,950)	-	(2,950)
<i>Other changes</i>			
Compensated with a claim from the cardholder	-	-	-
Interest liability	761	-	761
Exchange rate differences	-	-	-
Exchange rate conversion effect	-	-	-
Total other changes	761	-	761
Balance at 31 December 2023	81,654	-	81,654

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

30. LEASES

The Group and the Company lease aircrafts and engines, business premises and vehicles.

Right of use assets

Croatia Airlines Group

2024	Aircrafts EUR thousand	Engines EUR thousand	Business premises EUR thousand	Vehicles EUR thousand	Leasehold improvements EUR thousand	Total EUR thousand
COST OR VALUATION						
Balance at 1 January 2024	71,457	19,508	5,208	133	28,303	124,609
Additions	55,693	5,177	1,662	23	4,279	66,834
Transfer from tangible assets	-	-	-	-	(181)	(181)
Disposals	-	(633)	(45)	-	(24)	(702)
Balance at 31 December 2024	127,150	24,052	6,825	156	32,377	190,560
ACCUMULATED DEPRECIATION						
Balance at 1 January 2024	41,721	11,993	3,630	38	25,946	83,328
Charge for the year	12,366	3,890	912	39	1,522	18,729
Transfer to investment property	-	-	-	-	-	13
Transfer from intangible assets	-	-	-	-	13	-
Correction of accumulated depreciation	186	(633)	(39)	-	-	(486)
Balance at 31 December 2024	54,273	15,250	4,503	77	27,481	101,584
NET BOOK VALUE						
Balance at 31 December 2024	72,877	8,802	2,322	79	4,896	88,976
Balance at 1 January 2024	29,736	7,515	1,578	95	2,357	41,281

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

30. LEASES (CONTINUED)

Right of use assets (continued)

Croatia Airlines Group

2023	Aircrafts EUR thousand	Engines EUR thousand	Business premises EUR thousand	Vehicles EUR thousand	Leasehold improvements EUR thousand	Total EUR thousand
COST OR VALUATION						
Balance at 1 January 2023	65,547	12,965	4,620	33	27,261	110,426
Additions	5,910	6,543	674	102	1,610	14,839
Transfer from property, plant and equipment	-	-	-	-	88	88
Expiry of the lease agreement	-	-	(86)	(2)	(656)	(744)
Balance at 31 December 2023	71,457	19,508	5,208	133	28,303	124,609
ACCUMULATED DEPRECIATION						
Balance at 1 January 2023	32,531	9,427	2,792	15	24,596	69,361
Charge for the year	9,190	2,566	891	25	1,326	13,998
Transfer from property, plant and equipment	-	-	-	-	22	22
Expiry of the lease agreement	-	-	(53)	(2)	2	(53)
Balance at 31 December 2023	41,721	11,993	3,630	38	25,946	83,328
NET BOOK VALUE						
Balance at 31 December 2023	29,736	7,515	1,578	95	2,357	41,281
Balance at 1 January 2023	33,016	3,538	1,828	18	2,665	41,065

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

30. LEASES (CONTINUED)

Right of use assets (continued)

Croatia Airlines d.d.

2024	Aircrafts EUR thousand	Engines EUR thousand	Business premises EUR thousand	Vehicles EUR thousand	Leasehold improvements EUR thousand	Total EUR thousand
COST OR VALUATION						
Balance at 1 January 2024	71,457	19,508	5,097	133	28,303	124,498
Additions	55,693	5,177	1,615	23	4,279	66,787
Transfer from tangible assets	-	-	-	-	(181)	(181)
Disposals	-	(633)	(45)	-	(25)	(703)
Balance at 31 December 2024	127,150	24,052	6,667	156	32,376	190,401
ACCUMULATED DEPRECIATION						
Balance at 1 January 2024	41,721	11,993	3,541	38	25,946	83,239
Charge for the year	12,366	3,890	889	39	1,522	18,706
Transfer from intangible assets	-	-	-	-	13	13
Correction of accumulated depreciation	186	(633)	(39)	-	-	(486)
Balance at 31 December 2024	54,273	15,250	4,391	77	27,481	101,472
NET BOOK VALUE						
Balance at 31 December 2024	72,877	8,802	2,276	79	4,895	88,929
Balance at 1 January 2024	29,736	7,515	1,556	95	2,356	41,258

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

30. LEASES (CONTINUED)

Right of use assets (continued)

Croatia Airlines d.d.	Aircrafts	Engines	Business premises	Vehicles	Leasehold improvements	Total
2023	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
COST OR VALUATION						
Balance at 1 January 2023	65,547	12,965	4,480	33	27,261	110,286
Additions	5,910	6,543	660	102	1,610	14,825
Transfer from property, plant and equipment	-	-	-	-	88	88
Expiry of the lease agreement	-	-	(43)	(2)	(656)	(701)
Balance at 31 December 2023	71,457	19,508	5,097	133	28,303	124,498
ACCUMULATED DEPRECIATION						
Balance at 1 January 2023	32,531	9,427	2,703	15	24,597	69,273
Charge for the year	9,190	2,566	860	25	1,326	13,967
Transfer from property, plant and equipment	-	-	-	-	22	22
Expiry of the lease agreement	-	-	(22)	(2)	2	(22)
Balance at 31 December 2023	41,721	11,993	3,541	38	25,947	83,240
NET BOOK VALUE						
Balance at 31 December 2023	29,736	7,515	1,556	95	2,356	41,258
Balance at 1 January 2023	33,016	3,538	1,777	18	2,664	41,013

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

30. LEASES (CONTINUED)

Lease liabilities

	2024 Croatia Airlines Group	2023 Croatia Airlines Group	2024 Croatia Airlines d.d.	2023 Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Non-current lease liabilities	66,265	25,848	66,233	25,848
Current lease liabilities	18,775	12,663	18,760	12,637
	85,040	38,511	84,993	38,485

The repayment schedule for lease liabilities is as follows:

	2024 Croatia Airlines Group	2024 Croatia Airlines d.d.
	EUR thousand	EUR thousand
2025	23,680	23,654
2026	17,892	17,892
2027	13,498	13,498
After 2027	61,407	61,407
	116,477	116,451

Reconciliation of lease liabilities with cash flows from financing activities is as follows:

	Croatia Airlines Group 2024	Croatia Airlines d.d. 2024
	EUR thousand	EUR thousand
Balance at 1 January 2024	38,511	38,485
<i>Changes from non-cash transactions</i>		
Recognised during the year	63,378	63,346
Interest	2,420	2,418
Total changes from non-cash transactions	65,798	65,764
<i>Changes from cash flows</i>		
Interest paid	(2,875)	(2,877)
Principal paid	(16,395)	(16,379)
Total changes from cash flows	(19,270)	(19,256)
Balance at 31 December 2024	85,040	84,993

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

30. LEASES (CONTINUED)

	Croatia Airlines Group 2023 EUR thousand	Croatia Airlines d.d. 2023 EUR thousand
Balance at 1 January 2023	40,312	40,257
<i>Changes from non-cash transactions</i>		
Recognised during the year	15,049	14,825
Lease cancellation	(2,531)	(2,531)
Interest	1,793	1,779
Foreign exchange differences	(1,613)	(1,613)
Total changes from non-cash transactions	12,698	12,460
<i>Changes from cash flows</i>		
Interest paid	(1,793)	(1,779)
Principal paid	(12,706)	(12,453)
Total changes from cash flows	(14,499)	(14,232)
Balance at 31 December 2023	38,511	38,485

31. DEFERRED TAX LIABILITY

	2024 Croatia Airlines Group EUR thousand	2023 Croatia Airlines Group EUR thousand	2024 Croatia Airlines d.d. EUR thousand	2023 Croatia Airlines d.d. EUR thousand
Revaluation of fixed assets	8,053	-	8,053	-
Deferred tax liability (18%)	1,450	-	1,450	-

The Company revalued non-current assets (owned engines) by adjusting their current value as of 31.12.2024 to the fair value in the amount of EUR 8,053 thousand. In accordance with IAS-12, a deferred tax liability is reported, which represents the amount of income tax payable in future periods, and which relates to taxable temporary differences arising from the revaluation of non-current assets. The difference between the carrying amount of the revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability. The amount is calculated by applying the applicable income tax rate (18%) to the revaluation amount.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

32. TRADE PAYABLES

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Domestic trade payables	8,475	8,767	8,398	8,313
Foreign trade payables	6,820	8,903	6,626	8,788
	<u>15,295</u>	<u>17,670</u>	<u>15,024</u>	<u>17,101</u>

33. OTHER CURRENT LIABILITIES

	2024	2023	2024	2023
	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Air traffic liabilities	18,836	22,184	18,836	22,184
Deposits and advances received	2,346	2,016	2,313	2,005
Liabilities for salaries	3,983	2,992	3,920	2,934
Other current liabilities	231	454	227	384
	<u>25,396</u>	<u>27,646</u>	<u>25,296</u>	<u>27,507</u>

Current air traffic liabilities refer to the value of tickets sold and not used but still valid. This items are reduced either when the Company completes the transportation service or when the passenger requests a refund.

The amount of deposits and advances received relates to deposits received from BSP and ARC agents in the amount of EUR 1,367 thousand (2023: EUR 1,281 thousand), short-term deposits from domestic and foreign customers in the amount of EUR 592 thousand (2023: EUR 397 thousand), and advances received in the country and abroad in the amount of EUR 321 thousand (2023: EUR 290 thousand).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

34. ACCRUED EXPENSES AND DEFERRED INCOME

	Croatia Airlines Group	Croatia Airlines Group	Croatia Airlines d.d.	Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Deferred income	2,334	-	2,334	-
Accrual for unused holiday	627	494	627	494
Accrued expenses	8,169	3,350	8,075	3,301
	11,130	3,844	11,036	3,795

35. EMPLOYEES

Number of employees as of 31 December is as follows:

	2024	2023
Croatia Airlines d.d.		
Pilots and co-pilots	145	128
Cabin attendants	181	171
Maintenance and overhaul	256	253
Ticket sales and promotion	139	128
Airport handling	90	91
Other staff	132	140
	943	911
Subsidiaries		
Obzor putovanja d.o.o.	18	18
Amadeus Croatia d.d.	6	6
Total	967	935

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

36. CAPITAL COMMITMENTS

Commitments as of 31 December 2024 include contractual obligations for the purchase of new Airbus A220 aircraft based on contracts concluded with ALC Clover Ireland Limited (four out of a total of six Airbus A220 aircraft) and Azorra Finance Aircraft Ireland 1 Limited (three Airbus A220 aircraft).

The amounts stated represent the best estimate of future lease obligations at the current time:

	2024
	EUR
	thousand
Less than one year	7,738
Between one and five years	77,127
More than five years	<u>168,818</u>
	<u>253,683</u>

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

37. RELATED PARTY TRANSACTIONS

37.1 TRANSACTIONS WITH SUBSIDIARIES

Transactions with related parties are as follows:

	2024	2023
	EUR thousand	EUR thousand
Revenue		
Obzor putovanja d.o.o.	14	22
Amadeus Croatia d.d.	-	-
Total revenue	14	22
Interest income		
Obzor putovanja d.o.o.	7	-
Amadeus Croatia d.d.	-	3
Total interest income	7	3
Expenses		
Obzor putovanja d.o.o.	41	10
Amadeus Croatia d.d.	-	-
Total expenses	41	10

	2024	2023
	EUR thousand	EUR thousand
Trade receivables		
Obzor putovanja d.o.o.	4	2
Amadeus Croatia d.d.	-	-
Total trade receivables	4	2
Receivables for share in profits		
Obzor putovanja d.o.o.	-	-
Amadeus Croatia d.d.	-	-
Total receivables for share in profits	-	-
Loans receivable		
Obzor putovanja d.o.o.	175	250
Amadeus Croatia d.d.	-	-
Total loans receivable	175	250

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

37. RELATED PARTY TRANSACTIONS (CONTINUED)

37.2 RELATED PARTY TRANSACTIONS OWNED BY REPUBLIC OF CROATIA

The Company is the majority owned by the Republic of Croatia which has a significant influence on the Company's business with its shareholding and voting rights. Given the significant influence of the State in the ownership, the Company is also in a related party relationship with state institutions and other companies in which the State is a majority owner or has a significant influence.

For the purposes of related party disclosures, the Company does not consider routine transactions (such as taxes, levies etc.) with various communal entities (directly or indirectly owned by the State) or with other State bodies to be related party transactions.

Significant transactions that the Company has with State-owned companies relate to airport and fuel costs and revenue from ticket sales and from cargo (mail).

Related party transactions, i.e. transactions with the companies majority owned by Republic of Croatia or companies of strategic importance for Republic of Croatia are as follows:

	2024 EUR thousand	2023 EUR thousand
Revenue		
Zračna luka Osijek d.o.o., Klisa	166	33
Zračna luka Pula d.o.o., Pula	21	61
Zračna luka Rijeka d.o.o., Omišalj	-	-
Zračna luka Zadar d.o.o., Zadar	17	27
Zračna luka Split d.o.o., Kaštel Štafilić	467	479
Zračna luka Dubrovnik d.o.o., Čilipi	822	723
Zrakoplovno-tehnički centar d.d., Velika Gorica	1	2
HP – Hrvatska pošta d.d., Zagreb	697	524
INA – Industrija nafte d.d., Zagreb	1	-
Total revenue	2,192	1,849
Expenses		
Zračna luka Osijek d.o.o., Klisa	76	66
Zračna luka Pula d.o.o., Pula	298	274
Zračna luka Rijeka d.o.o., Omišalj	26	15
Zračna luka Zadar d.o.o., Zadar	289	322
Zračna luka Split d.o.o., Kaštel Štafilić	3,168	3,016
Zračna luka Dubrovnik d.o.o., Čilipi	1,490	1,966
Zrakoplovno-tehnički centar d.d., Velika Gorica	83	27
HP – Hrvatska pošta d.d., Zagreb	4	4
INA – Industrija nafte d.d., Zagreb	31,945	34,157
Total expenses	37,379	39,847

Transactions with other entities owned by the State and state institutions are not significant.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

37. RELATED PARTY TRANSACTIONS (CONTINUED)

37.2. RELATED PARTY TRANSACTIONS OWNED BY REPUBLIC OF CROATIA (CONTINUED)

	2024 EUR thousand	2023 EUR thousand
Receivables		
Zračna luka Osijek d.o.o., Klisa	8	1
Zračna luka Pula d.o.o., Pula	1	7
Zračna luka Rijeka d.o.o., Omišalj	-	-
Zračna luka Zadar d.o.o., Zadar	1	-
Zračna luka Split d.o.o., Kaštel Štafilić	-	67
Zračna luka Dubrovnik d.o.o., Čilipi	186	146
Zrakoplovno-tehnički centar d.d., Velika Gorica	-	-
HP – Hrvatska pošta d.d., Zagreb	78	55
INA – Industrija nafte d.d., Zagreb	-	-
Total receivables	274	276
Payables		
Zračna luka Osijek d.o.o., Klisa	13	14
Zračna luka Pula d.o.o., Pula	25	22
Zračna luka Rijeka d.o.o., Omišalj	5	2
Zračna luka Zadar d.o.o., Zadar	31	24
Zračna luka Split d.o.o., Kaštel Štafilić	576	516
Zračna luka Dubrovnik d.o.o., Čilipi	248	184
Zrakoplovno-tehnički centar d.d., Velika Gorica	3	2
HP – Hrvatska pošta d.d., Zagreb	1	-
INA – Industrija nafte d.d., Zagreb	2,489	3,167
Total payables	3,391	3,931

PSO benefit

During the year the Company realized revenue in the amount of EUR 17,599 thousand (2023: EUR 15,558 thousand), on the basis of PSO benefit, benefit from the Ministry of the Sea, Transport and Infrastructure for the preservation of region transport connections in domestic air transport. Receivables based on PSO benefits at the reporting date amounts EUR 3,978 thousand and is part of receivables from the State in the note 22 (2023: EUR 1,526 thousand).

Non-current loans

During 2024 and 2023, the Company did not use long-term loans from banks owned by the Republic of Croatia.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

37. RELATED PARTY TRANSACTIONS (CONTINUED)

37.2. RELATED PARTY TRANSACTIONS OWNED BY REPUBLIC OF CROATIA (CONTINUED)

Non-current loans (continued)

Based on the loan from the Ministry of the Sea, Transport and Infrastructure with a total value of EUR 33,181 thousand, of which the Company received EUR 19,909 thousand in 2020, and EUR 13,272 thousand in 2019, on the reporting date the Company's loan liability was EUR 33,181 thousand (in 2023: EUR 33,181 thousand).

Based on the loan from the Ministry of the Sea, Transport and Infrastructure approved in 2020 in the amount of EUR 33,181 thousand, which the Company received in its entirety in 2020, on the reporting date the Company's loan liability was EUR 33,181 thousand (in 2023: EUR 33,181 thousand).

Based on the loan from the Ministry of the Sea, Transport and Infrastructure approved in 2022 in the amount of EUR 12,476 thousand, which the Company received in its entirety in 2022, on the reporting date the Company's loan liability was EUR 12,476 thousand.

The interest expense recognised during the year was EUR 1,553 thousand (in 2023: EUR 1,165 thousand). The interest liability included in long-term loans amounted to EUR 3,754 thousand (in 2023: EUR 2,816 thousand), while the liability for accrued interest expense included in accrued expenses amounted to EUR 1,669 thousand (in 2023: EUR 1.054 thousand).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

37. RELATED PARTY TRANSACTIONS (CONTINUED)

37.3 TRANSACTIONS WITH KEY MANAGEMENT AND SUPERVISORY BOARD MEMBERS

The total amount of remuneration paid to Management Board members, directors and other key management personnel was as follows:

	2024	2023
	EUR	EUR
	thousand	thousand
Gross salaries	1,005	803
Gross benefit in kind	<u>15</u>	<u>17</u>
	<u>1,019</u>	<u>820</u>

As at 31 December 2024 the number of Management Board members, directors and other key management personnel was 13 (2023: 12 employees).

Compensation to Supervisory Board members during 2024 amounted to EUR 18 thousand (2023: EUR 18 thousand).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

38. RISK MANAGEMENT

Financial instruments and financial risk management

In financial instruments transactions the Company assumes the financial risks. This risks includes market risk, credit risk and liquidity risk. The significant risks, together with the methods used to manage these risks are listed below.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is based on quoted market prices, if available. If market prices are not available, fair value is estimated using discounted cash flow models or other appropriate pricing techniques. Changes in the assumptions underlying the estimates, including discount rates and estimated future cash flows, significantly affect the estimates. For this reason, the estimated fair value cannot be obtained from the sale of a financial instrument at this point.

Valuation techniques and assumptions in determining the fair value

When calculating the fair value the Company takes into account the rules of IFRS fair value hierarchy that reflects the significance of inputs used in the valuation process. Each instrument is individually assessed in detail. The levels of the fair value hierarchy is determined based on the lowest level and input data which are important for determining the fair value of the instrument.

Financial instruments that are measured at fair value are categorized into three levels of the IFRS fair value hierarchy, as follows:

1. First level indicators - fair value measurements indicators are those derived from the (unadjusted) prices in active markets for identical assets and liabilities
2. Second level indicators - fair value measurements indicators are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability (their prices), either indirectly derived from prices) and
3. Third level indicators - indicators are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

39. RISK MANAGEMENT (CONTINUED)

Debt to equity

As an internationally active airline, the Group and the Company are routinely exposed to fluctuations in prices, credit risk, interest rates and exchange rates. In recognition of this fact, it is Group's and the Company's policy, to analyze and actively manage existing risk positions and market trends and to offset any such risk positions internally as far as possible.

Debt to equity ratio at year end was as follows:

	2024 Croatia Airlines Group	2023 Croatia Airlines Group	2024 Croatia Airlines d.d.	2023 Croatia Airlines d.d.
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Debt	167,649	120,165	167,585	120,139
Cash and cash equivalents	(45,638)	(79,913)	(44,827)	(79,120)
Net debt	<u>122,011</u>	<u>40,252</u>	<u>122,758</u>	<u>41,019</u>
Equity	<u>3,765</u>	<u>15,170</u>	<u>2,899</u>	<u>14,480</u>
Debt to equity	3241%	265%	4234%	283%

Interest rate risk

Interest rate risk is the possibility that the value of a financial instrument will change or that statement of cash flows related to that financial instrument will change due to movements in market rates of interest, applies mainly to receivables and payables with maturities of over one year.

The Group and the Company are exposed to interest rate risk since the part of long-term debt is variable rate borrowing. The interest rate on bank deposits is disclosed in note 17. In case that the interest rate was higher by 0.5%, in relation to current market interest rate, the amount of EUR 3 thousand would have a positive effect on the statement of comprehensive income the effect of EUR 3 thousand would debit income statement (2023: EUR 3 thousand negative impact) and, contrary, If the interest rate had been 0.5% lower, an amount of EUR 3 thousand would have had a negative impact on the statement of comprehensive income for 2024 (2023: EUR 3 thousand positive impact).

Foreign exchange risk

The Group and the Company are exposed to the transaction risk, which is the risk of the commercial cash flows being adversely affected by a change in exchange rates for foreign currencies against EUR; and statement of financial position risk – the risk of net monetary assets in foreign currencies acquiring a lower value when translated into EUR as a result of currency movements.

The Group's and the Company's principal foreign exchange risk is the long-term loans as described in Notes 30 and 31, which are largely denominated in Euros and US Dollars. This exposure is offset by the Group's and the Company's revenues from overseas ticket sales, which is sufficient to service the debt payments.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

39. RISK MANAGEMENT (CONTINUED)

The impact of the currency on net monetary receivables/payables denominated in dollars at the reporting date (strengthening/weakening by 0.50%) is as follows:

EUR thousand	Currency impact USD	
	2024	2023
Profit / (loss)	<u>(221)</u>	<u>121</u>

If the USD exchange rate had been 0.5% higher than the current exchange rate, EUR 121 thousand would have had a positive effect on the comprehensive income statement (in 2022: EUR 41 thousand), and conversely, if the USD exchange rate had been 0.5% lower, the said amount would have had a negative effect on the comprehensive income statement (in 2022: EUR 41 thousand).

The impact of the currency on revenues (strengthening/weakening by 0.50%) is as follows:

EUR thousand	Currency impact USD	
	2024	2023
Profit / (loss)	<u>164</u>	<u>305</u>

If the USD exchange rate had been 0.5% higher than the current exchange rate, EUR 305 thousand would have had a positive effect on the comprehensive income statement (in 2022: EUR 198 thousand), and conversely, if the USD exchange rate had been 0.5% lower, the said amount would have had a negative effect on the comprehensive income statement (in 2022: EUR 198 thousand).

Credit risk

In the majority of cases, the passenger and freight sales are handled via agencies that are members of IATA, which has certain minimum financial requirements of its members. According to BSP rules IATA agents have to enclose bank guarantees. Individual agents who are not members of IATA are required to give collateral or security prior to being approved to deal with the Company. The credit risk from sales agents is relatively low since the amount due from any one agent is not significant.

Where the agreements upon which a payment is based do not explicitly state otherwise, claims and liabilities arising between the airlines are usually settled on a net basis via an IATA Clearing House, which contributes to a significant reduction in the risk of non-payment.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

39. RISK MANAGEMENT (CONTINUED)

For all other payment relationships, the Group and the Company evaluate the solvency and payment history of customers and control exposure to any one customer by credit limits, which are periodically reviewed to determine if they are still appropriate. Where there are factors, which indicate that a customer may not be able to repay all or part of a receivable the Group and the Company make appropriate allowances to reduce the carrying value of the receivable to their recoverable amount. The credit risk from investments and derivative financial instruments arises from the danger of non-payment by a contractual partner. Since the transactions are concluded with contracting parties of the highest possible credit rating the risk of non-payment is, in the opinion of Company's management, low.

Price risk

The Company is exposed to the risk of fluctuations in the jet fuel price, which is one of its significant costs. The market price of jet fuel has been extremely volatile in recent years.

In case that the fuel price was higher by 5% in relation to current market price, the effect of EUR 2,440 thousand would debit profit and loss account and, contrary, in case that the fuel price was lower by 5% the effect of EUR 2,440 thousand, would credit profit and loss account for the year 2024 (2023: EUR 2,545 thousand).

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments as they come due. The Group and the Company manage liquidity risk by monitoring on a regular basis their maturing commitments, and by maintaining appropriate amounts of cash on hand and in deposits, to cover unexpected fluctuations.

39.1 Liquidity risk tables

The following table details the Company's expected maturity for its non-derivative financial assets and liabilities for the years ended 31 December 2024 and ended 31 December 2023. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

39. RISK MANAGEMENT (CONTINUED)

31.12.2024.

	Total	Less than 6	Between 6	Between 1 year	More than 2
	EUR	months	months and 1	and 2 years	years
	thousand	EUR	EUR	EUR	EUR
	thousand	thousand	thousand	thousand	thousand
Assets					
Non-current deposits	13,232	-	-	-	13,232
Investments in equity instruments	25	-	-	-	25
Non-current receivables	14,400	-	-	14,400	-
Trade receivables	13,428	13,428	-	-	-
Other receivables	5,966	5,966	-	-	-
Current deposits	1,101	998	103	-	-
Cash and cash equivalents	44,827	44,827	-	-	-
Total assets	92,979	65,219	103	14,400	13,257
Liabilities					
Non-current loans and borrowings	78,837	-	-	-	78,837
Interest on loans and borrowings	3,755	-	-	-	3,755
Lease liabilities	116,451	13,941	9,712	17,892	74,905
Trade payables	15,024	15,024	-	-	-
Other payables	25,296	20,147	5,149	-	-
Total liabilities	239,363	49,112	14,861	17,892	157,497
Difference	(146,384)	16,107	(14,758)	(3,492)	(144,240)

31.12.2023.

	Total	Less than 6	Between 6	Between 1 year	More than 2
	EUR	months	months and 1	and 2 years	years
	thousand	EUR	EUR	EUR	EUR
	thousand	thousand	thousand	thousand	thousand
Assets					
Non-current deposits	12,142	-	-	-	12,142
Investments in equity instruments	25	-	-	-	25
Non-current receivables	13,612	-	-	13,612	-
Trade receivables	14,573	14,573	-	-	-
Other receivables	3,625	3,625	-	-	-
Current deposits	3,646	81	3,565	-	-
Cash and cash equivalents	79,120	79,120	-	-	-
Total assets	126,743	97,399	3,565	13,612	12,167
Liabilities					
Non-current loans and borrowings	78,837	-	-	-	78,837
Interest on loans and borrowings	2,816	-	-	-	2,816
Lease liabilities	51,704	7,730	7,542	15,766	20,666
Trade payables	17,101	17,101	-	-	-
Other payables	27,507	22,358	5,149	-	-
Total liabilities	177,965	47,189	12,691	15,766	102,319
Difference	(51,222)	50,210	(9,126)	(2,154)	(90,152)

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

40. AUDITOR FEES

The agreed audit fee of separate and consolidated financial statements of the Company and Group Croatia Airlines for the year 2024 is EUR 39 thousand plus the amount of value added tax (2023: EUR 30 thousand plus value added tax).

41. EVENTS AFTER THE REPORTING DATE

The 2025 business year for Croatia Airlines represents a key phase in the implementation of the strategic project of fleet renewal and unification, and the process of replacing existing aircraft with new Airbus A220 aircraft, as the largest investment venture in the history of the Company, is a realistic and significant step towards modernization, efficiency and sustainability of operations.

Operational changes that began in 2024 with the acceptance of the first two Airbus A220 aircraft will intensify during 2025 with the entry of five more new aircraft into the fleet, which will gain momentum for modernization, while at the same time the gradual withdrawal of older Dash 8-Q400 and Airbus A320 aircraft will begin. The year will be marked by a challenging transition period of managing operations with three aircraft types with increased cost exposure due to transition costs arising from the activities of replacing the existing fleet with new aircraft, and the experiences gained in the transition year 2024 indicate an even greater level of challenges and risks in 2025.

In the first quarter of 2025, Croatia Airlines flew to 13 international and seven domestic destinations. Having operated 5,232 flights, it recorded a block time of 6,813 block hours, or 1% less in terms of both flights and block hours compared to the same period of 2024. A total of 329,481 passengers were carried, or 2% more compared to the first quarter of 2024. The achieved passenger load factor (PLF) of 59.9% is 0.2 pp higher than the achievement in the first three months of 2024. The number of passengers transported in domestic scheduled traffic rose by 3%, and of those carried in international scheduled traffic by 2% over the same period of 2024.

Based on its summer flight schedule, the Company plans to connect Croatia directly to 30 international destinations, i.e. 31 European airports, with its aircraft operating on 55 international routes. The international flight network is being significantly expanded with the introduction of five new direct seasonal routes from Zagreb to Prague, Milan, Hamburg, Bucharest and Madrid. Flights on the new routes are planned from the beginning of July to the end of October, and should be operated with new Airbus A220 aircraft. The number of weekly flights on existing routes is also being increased, which will contribute to an increase in the total number of flights compared to 2024.

The summer flight schedule includes a total of more than 18,200 flights (7% more than in the same period in 2024) offering more than 2,2 million seats (18% more than in 2024). Network of the international and domestic flights during the summer season is adapted to the market demand for air transport services, and the planned flight schedule is subject to changes, depending on the delivery dynamics of new Airbus A220 aircraft and their comprehension in the fleet. By the renewing the fleet, Croatia Airlines will also contribute to the quality and improvement of the Croatian tourist product, as well as the transport infrastructure of the Republic of Croatia.

After the reporting date, there were no events that would significantly affect the separate and consolidated annual financial statements reports of the Company and the Group for the year 2024, which should be published accordingly.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

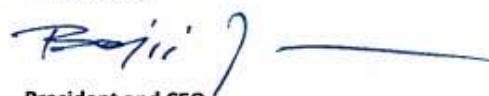
42. APPROVAL OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The consolidated and separate financial statements for the year ended 31 December 2024 were approved by the Management Board and authorized for issue on 30. April 2025.

Nataša Ikašović-Dautović


Director of Finance and Accounting

Jasmin Bajić


President and CEO