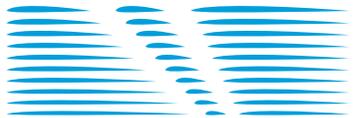


# 2015

Annual Report 2015

SERBIA AND MONTENEGRO AIR TRAFFIC SERVICES  
SMATSA Ilc BELGRADE



smatsa





# Annual Report 2015

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# 01

## CEO's Foreword

Radojica Rovčanin,  
CEO



In 2016 we will continue the realization of numerous initialized projects, we expect numerous challenges, and SMATSA Ilc will try to ensure the trust of its users through its activities.

For SMATSA Ilc, 2015 was a year of success and initialisation of significant projects, while at the international level, it was a year of intensive cooperation.

It began with very intensive cooperation with Air Navigation Services Providers in the region in developing and implementation of the projects, within the EU initiative on the establishment of the Single European Sky, regardless of the borders between the states.

In early 2015, 5 providers of air navigation services, as follows: Croatia Control Ltd (CCL), Slovenian Air Navigation Services, Bosnia and Herzegovina Air Navigation Services Agency (BHANSA), Bulgarian Air Traffic Services Authority (BULATSA) and SMATSA Ilc, agreed to introduce 11 options of long range cross-border traffic (LRDs) in order to proactively approach the customers' needs and improve the quality of provided services. The testing of the system was successfully completed and all 11 options were published for the application that was planned to be implemented at the beginning of 2016. In addition to these 5 ANSPs which were directly involved, the Austrian ANSP - AUSTROCONTROL also took part in this phase of the project as an associate member.

Together with this project, we have continued cooperation on the development and implementation of the concept of free route planning on the south-east axis (SEAFRA - South-East Axis Free Route Airspace). This is a project

that began in the previous year and it is my pleasure to point out that on 30th April, 2015, three providers of air navigation services (SMATSA Ilc, CCL and BHANSA), which are responsible for providing air navigation services in the airspace of four states - the Republic of Serbia, the State of Montenegro, the Republic of Croatia and Bosnia and Herzegovina, have offered to the airspace users the possibility of planning and executing flights not limited by national borders or boundaries of the area of responsibility (AoR), through the use of free cross-border route planning on the south-east axis from FL325 to FL660.

It is important to point out that the participants of this first concept of European FRA, which is conducted over the territories of four states, are also members of FAB CE (the Republic of Croatia and Bosnia and Herzegovina) on one side, and the Republic of Serbia and the State of Montenegro on the other side, which are not part of FAB initiative, indisputably proving that such cooperation is possible and can be beneficial to all interested parties. The idea behind this concept is a common goal to improve, on the one hand, the safety and efficiency of air traffic services provision and, on the other hand, environment protection by reducing fuel consumption, CO<sub>2</sub> and nitrogen oxides emission. A special curiosity is that the activities related to SEAFRA were carried out in accordance with Regulation 716/2014, i.e. 7 years before the planned date for unlimited free use of airspace over 9000m, above Europe – 1st January, 2022.

It is of great importance to emphasise that the project of long range cross-border traffic (LRDs) will not affect the implementation of the FRA in the airspace of responsibility of ANSPs participating in both projects.

SMATSA Ilc has established the cooperation with a number of providers of air navigation services in the context of Centralized services as well, a completely new concept of projects developed by EUROCONTROL. We are actively involved in these projects, designed as a completely new concept for provision of certain services, and to that effect we have offered to provide some of these services to the European community in the future, together with our potential partners from the region and beyond. The first results of the procedures are expected in 2016.

In the spring of 2015, we hosted the 16th Thales Users Group (TUG) Conference, which is traditionally organized every other year by one of the world's largest equipment manufacturers, THALES Company, for the users of its equipment. During this four-day conference we hosted more than 120 representatives of air navigation services providers from around the world and THALES Company, who, in addition to the conference, had the opportunity to enjoy the natural beauty and sights of Belgrade.

It is my pleasure to highlight some statistics data showing that an increase in traffic of 9% was recorded in 2015. The area of responsibility of SMATSA Ilc was used, during the year, by totally 597,282 flights, which were provided with services of exceptional quality without the delays generated by ATC. During the peak day, on 29th August, a record of 2,969 flights was realized.

The application of Performance Based Navigation procedures (Performance Based Navigation - PBN) has started at airports in Belgrade and Niš, designed by applying the area navigation using GNSS (Global Navigation Satellite System), while the application of these procedures at airports in Podgorica and Tivat is planned for the year of 2016.

With the aim of being a modern, highly qualified and responsible company, SMATSA Ilc constantly improves the level of air traffic services provision to enable safe, regular and efficient performance of air traffic in the area of responsibility, even in the event of an increased number of service users. We have begun with the activities on a

multi-year project of comprehensive modernization of the air traffic control system and at the same time we have continued or successfully completed already initiated modernization projects. We have successfully continued the implementation of initialized infrastructure projects. In 2016 we expect the completion of the reconstruction project of the air traffic control tower in Tivat.

SMATSA Ilc has continued its humanitarian activity. In the course of 2015, we donated the funds of total 30,000,000 dinars. We have donated significant funds to Special Hospital "Saint Sava" in Belgrade, Centre for Endocrine Surgery of Clinical Centre of Serbia, Institute for Oncology and Radiology of Serbia. We have helped the Soup Kitchens in Kosovo and Metohija, Serbian participants in the Special Olympics and the large number of cultural institutions. SMATSA Ilc, being a socially responsible company, will continue in the future to help those who need help because we know that our little means a lot to someone else.

We continue to successfully provide services of calibration of airport and other ground based radio-navigation aids under the previously concluded contracts, but also to participate in international tenders for the provision of these services. We have concluded new contracts and enrolled a new class of self-financing candidates for air traffic control officers. SMATSA Aviation Academy has enrolled 100 candidates in the various types of training.

I proudly emphasize that our investments in the development of the system, through human resources and continuous modernization and improvement, as well as through the constant raising of the safety awareness level among all employees in SMATSA Ilc, resulted in SMATSA Ilc taking the first place among providers of air navigation services, after the analysis procedure of "Safety Maturity Score" or "measurement of maturity" of the safety management system that is conducted by EUROCONTROL every year.

In 2016 we will continue the realization of numerous initialized projects, we expect numerous challenges, and SMATSA Ilc will try to ensure the trust of its users through its activities.

# About Serbia and Montenegro Air Traffic Services SMATSA Ilc

## 2.1 Organisation Profile

Serbia and Montenegro Air Traffic Services SMATSA Ilc (hereinafter SMATSA Ilc) was established in order to provide air traffic services in the area of its responsibility as well as to perform other activities in the field of air navigation.

The founders of SMATSA Ilc are the Governments of the Republic of Serbia and of the State of Montenegro.

The contract signed by both Governments in 2012, after the Agreement on Cooperation in the Air Traffic Domain concluded between the Republic of Serbia and the State of Montenegro, confirmed the continuity of the common provider of air traffic control services - SMATSA Ilc.

SMATSA Ilc fully operates in compliance with national and international regulations and international agreements. In addition, SMATSA Ilc participates in work of the most important international aviation organisations and represents the Republic of Serbia and the State of Montenegro in the best possible way.

The mission of SMATSA Ilc is the provision of high quality air navigation services (the services in the field of ATM, CNS, MET, AIS) to civil and military aircraft, in order to maintain and improve the safe, orderly, and expeditious air traffic in the airspace of FIR/UIR Beograd and in the airspace of other countries, on the basis of bilateral state agreements, as well as the services ANSP personnel training, pilots training, flight calibration services of ground based navigation aids and systems from the air and aircraft maintenance services.

## 2.2 Air Navigation Services (ANS)

The main activity of SMATSA Ilc is the provision of air navigation services (ANS), which includes:

1. ATS - Air Traffic Services,
2. CNS - Communication, Navigation and Surveillance,
3. AIS - Aeronautical Information Services and
4. MET - Aeronautical Meteorological Services

Serbia, Montenegro and Bosnia and Herzegovina entrusted SMATSA Ilc with the provision of air traffic services.

SMATSA Ilc area of responsibility includes the airspace above:

1. The Republic of Serbia,
2. The State of Montenegro,
3. Part of international airspace over the Adriatic Sea, and
4. Part of Bosnia and Herzegovina.



**Figure 1.** The territory in which SMATSA Ilc provides air navigation services



## 2.3 Additional services

In addition to air navigation services, SMATSA Ilc provides additional services that include:

1. ANS Personnel and Pilot Training,
2. Flight Calibration of Ground Based Radio Navigation Aids, and
3. Aircraft Maintenance.

## Important Business Results Marking 2015

### 3.1 ATM Upgrades

On 30th April, 2015, three providers of air navigation services (SMATSA, CAA and BHANSA), responsible for providing air navigation services in the airspace of four countries - Serbia, Montenegro, Croatia and Bosnia and Herzegovina, enabled the planning and execution of the flights by applying free cross-border route planning (SEAFRA - South-East Axis Free Route Airspace) above the flight level 325. After that, on 20th August, 2015, the amendment to the original concept entered into force, when the period, in which the network of ATS routes was suspended, was amended. This project is one of the key improvements in the context of EU initiative on the establishment of the Single European Sky, regardless of the borders between the states, and aims to increase the safety, efficiency, and airspace capacity. Activities in connection with this project will be continued in 2016, with an aim for the application in the period of 24 hours.

In May 2015, the Project of establishing the routes for the planning of long range direct cross-border traffic (LRD - Long Range DCTs) began in Belgrade, where the first of three meetings of the group consisting of representatives of Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Bulgaria was held, while Austria subsequently joined the initiative. The result of the work of the group was the selection of 11 LRD options that extend from the Slovenian-Austrian to the Bulgarian-Turkish border, the implementation of which is planned for 4th February, 2016.

PBN procedures for the airport Nikola Tesla, Beograd and Konstantin Veliki/Niš entered into force during this year, and PBN procedures for airports Podgorica and Tivat will be put into operational use next year, after obtaining the consent of the CAA.

Preparatory activities for introduction of radar vectoring service below the altitude of 10,000 feet in TMA Podgorica were successfully completed during the year and the amendments entered into force on 30th April. After the summer season, from 12th November, the position RDR Planner was introduced into the operational implementation in TMA Podgorica.

In order to increase the airspace capacity throughout the year we worked on changing and improving the ACC Belgrade sectorisation. Using the Eurocontrol's NEST tool, more than 20 different scenarios of the new sectorisation had been tested, and a solution increasing the capacity by 30%, based on the introduction of the new DFL was chosen, without major changes in the lateral borders. Implementation of the new sectorisation is planned for 4th February, 2016.

Activities related to the project of construction of the annex to the ATCC building with a tower included the consultations with the city urban planning institute, provision of the funds for the project design solution, and drafting of the preliminary architectural solution. At the end of the year, activity merged with the Project of modernization of air traffic control - SUSAN (SMATSA Upgrade of System for Air Navigation).

The construction of the ATC tower at the airport Tivat began in September, which, according to the plan, should be completed by mid-May next year.

On 23rd March, 2015, CCAMS - Centralized European SSR Code Assignment and Management System was activated.

**Table 1.** Realization of planned activities in 2015 within the ATM

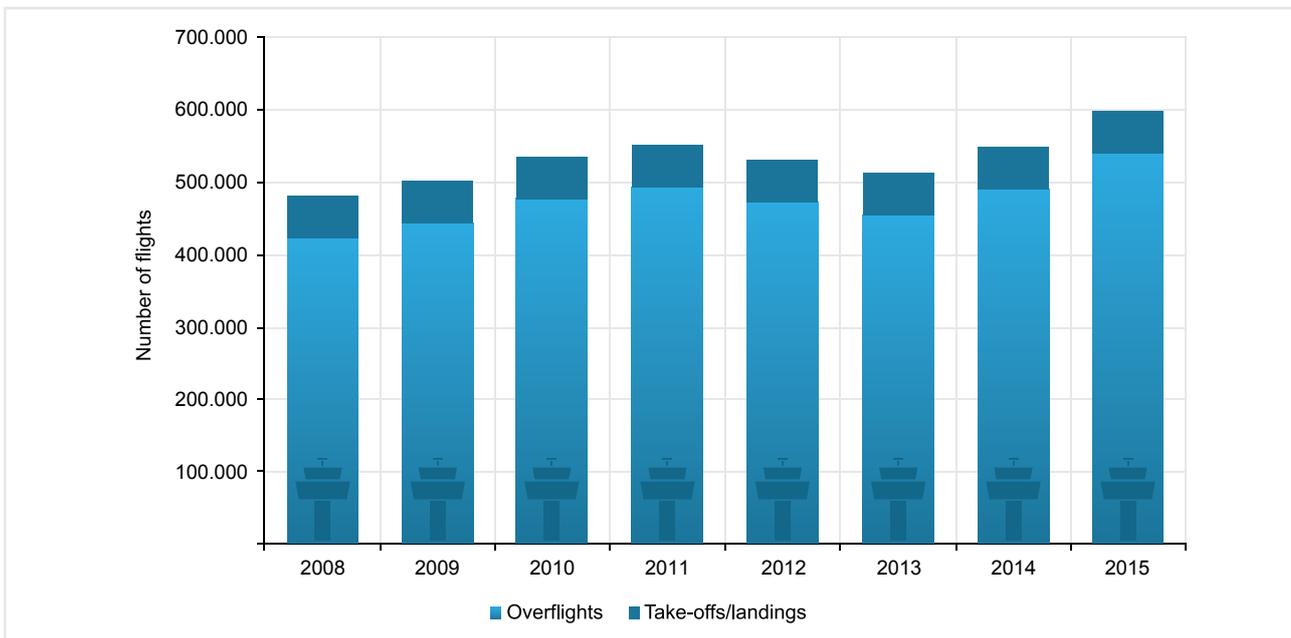
Basic Project Identification (BSO)	Basic Project Title	Realization of Planned Activities
BSO 01.04.01	<b>Reorganize the lower part of the airspace and rationalize the provision of services at airports</b>	<p>A preliminary design for the reorganisation of the airspace was made for TMC Podgorica and TMC Tivat. During EASA audit in Montenegro, problems in VHF coverage in the area of responsibility of the TMC and CTR Podgorica were discovered. The solution of the identified problems in the VHF coverage will influence the designed conceptual solution. In addition, the need was identified for the change of method of implementation of the existing classes of airspace in Montenegro. The collection of data on quality connection has started, which will be one of the elements for the analysis of the reorganisation of the lower airspace in Montenegro. In agreement with the aviation authorities of Montenegro, data collection will be done by the end of the season of 2016, after which the work will start on the final version of the proposal for reorganisation of TMC and CTR Podgorica and TMC and CTR Tivat airspace.</p> <p>For TMC Beograd, within the first step, the reorganisation proposal was made, which foresees the introduction of PBN procedures, raising the upper limit of the terminal at FL 195 with the extension of the area of responsibility to the north and south in order to adapt the airspace structure to the optimized flight profiles. The proposal is confirmed by a series of simulations. Simultaneously with the reorganisation of airspace of TMC Beograd, the reduction in the altitude of the space in responsibility of adjacent TMC (Batajnica, Kraljevo and Ponikve) at FL125 was predicted. Implementation of the proposal is waiting for the validation from the air (CNS - calibration). For the realization of the second step the agreement with the relevant military authorities is necessary, on increasing the volume of airspace that would be classified with class G.</p>
BSO 01.04.02	<b>Introduce the routes for planning of cross-border direct traffic - cross-border DCT routes</b>	<p>The plans for 2015 were fully implemented.</p> <p>The project is being carried out as planned. Possible changes or earlier termination, depending on the implementation of local or cross-border FRA concepts.</p>
BSO 01.04.03	<b>Introduce PBN navigation procedures at airports in Belgrade, Niš, Podgorica and Tivat</b>	<p>PBN navigation procedures were implemented at the airport Beograd and Niš in the course of 2015. For Montenegrin airports Podgorica and Tivat, the trial PBN procedures were published, and their validation from the air and making the safety documentation is in progress. The completion of these activities and acceptance of the application of PBN procedures by the aviation authorities of Montenegro are expected by the end of 2016.</p>
BSO 01.04.04	<b>Apply the CCAMS (Centralized SSR Code Assignment and Management System)</b>	<p>The activity was completed in accordance with the defined plans.</p>

**Table 1.** Realization of planned activities in 2015 within the ATM

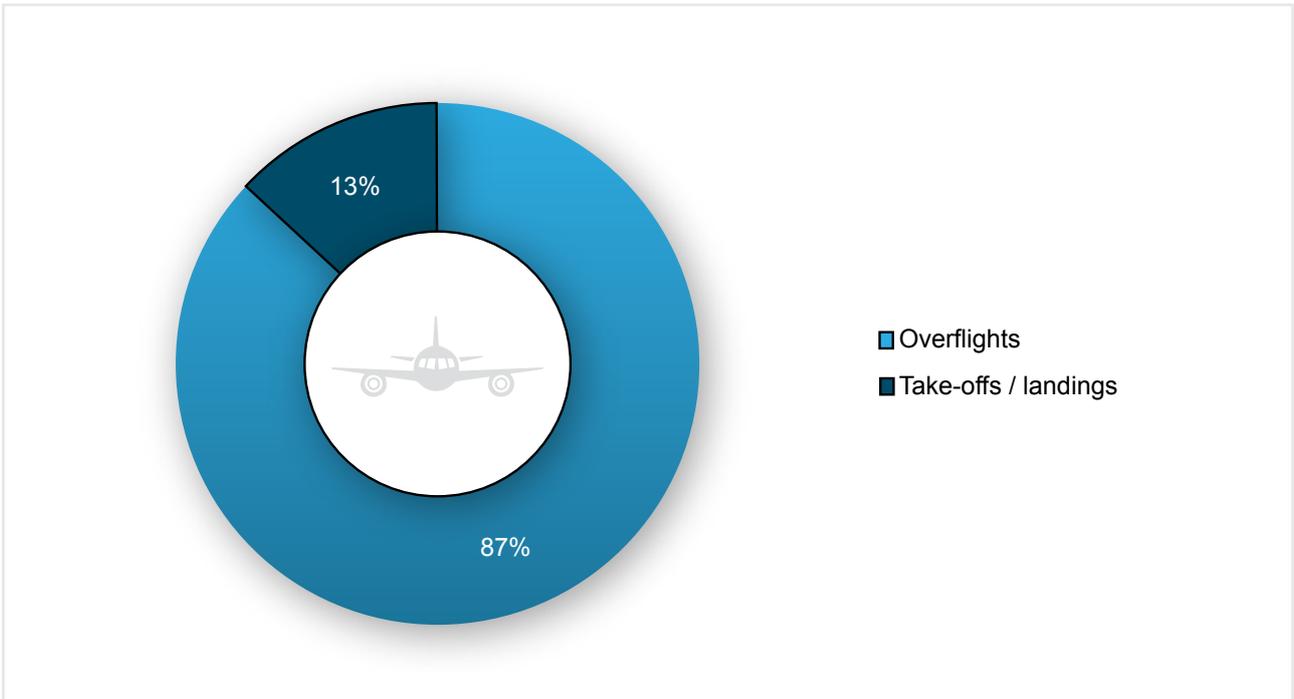
Basic Project Identification (BSO)	Basic Project Title	Realization of Planned Activities
BSO 01.04.05	<b>Apply H24 Free Route concept from the upper limit of TMC upwards</b>	The plans for 2015 were fully implemented. The project is being carried out as planned.
BSO 03.03.01	<b>Develop strategic cooperation with ATCs of Croatia, Slovenia, Bosnia and Herzegovina, Macedonia and Albania in order to provide joint commercial services</b>	In the course of 2015, in accordance with the plan, there were several strategically important bilateral and multilateral meetings with ANSPs in the region in order to implement joint projects (Long Range DCTs, SEAFRA - SMATSA CCL night cross-border FRA, joint education of BHANSA candidates through the Entry Point Nord and preparations for next season).
BSO 06.02.01	<b>Conduct analysis of strengths and weaknesses in the procedures of joint procurements</b>	The starting point for the implementation of the activities is analysis that will be developed within BSO 06.02.02. Analysis of strengths and weaknesses in the procedures of joint procurements will be made on the basis of a feasibility study of the effects of the joining the partnership of ANSP, with the purpose of joint procurement of unified ATM systems.
BSO 06.02.02	<b>Engaging the consulting firm for the design of Feasibility study for joining the partnership of ANSP with the goal of joint procurement of unified ATM systems (COOPANS group or adequate)</b>	The activities were carried out according to the plan. The process of procurement of the Feasibility Study for joining the partnership of ANSP was carried out, with a goal of joint procurement of unified ATM systems (COOPANS group or equivalent). Consulting Services Company Helios was selected with the aim of drawing up a feasibility study in the course of 2016.

### 3.1.1 Traffic figures in SMATSA llc area of responsibility

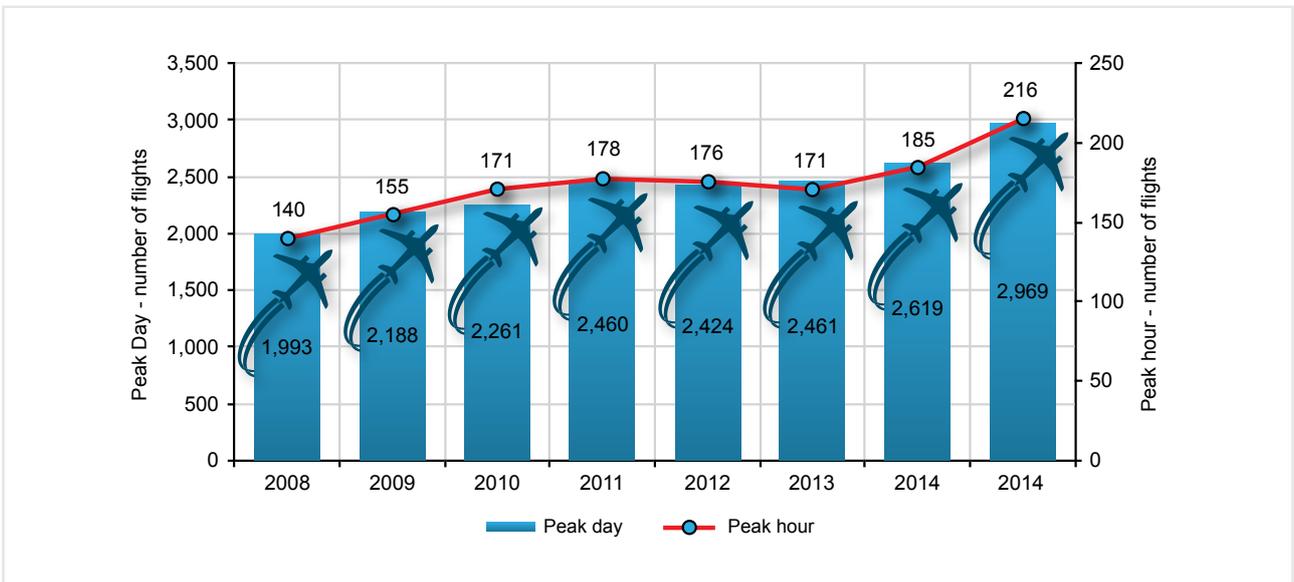
**Figure 2.** Number of flights in the period from 2008 to 2015



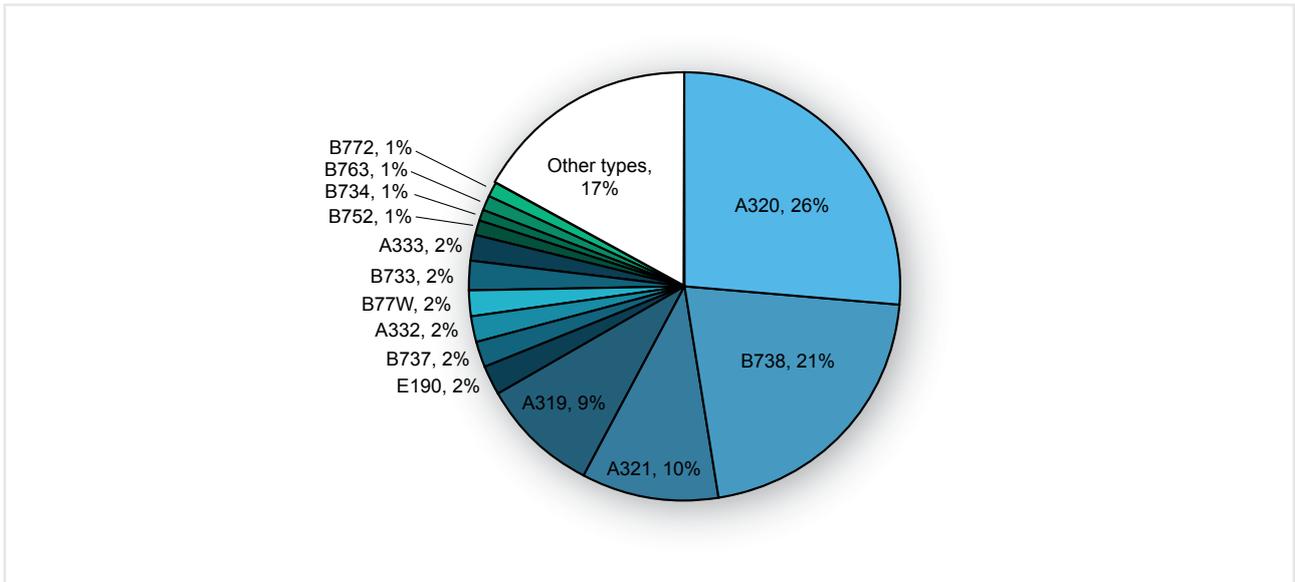
**Figure 3.** Distribution of flights in 2015



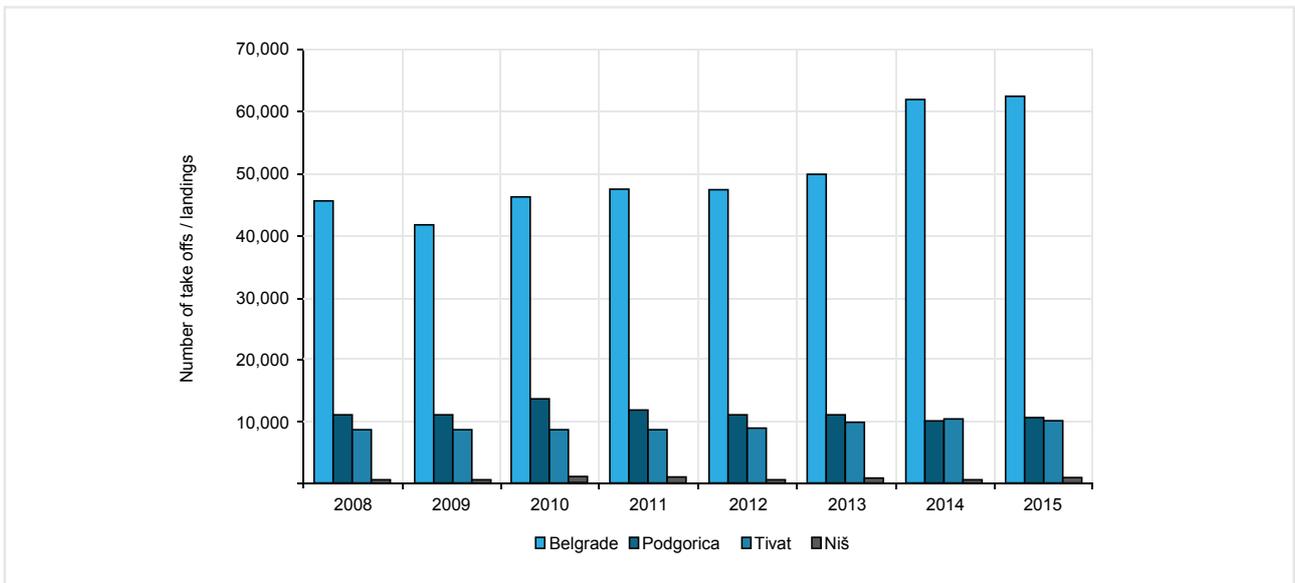
**Figure 4.** Peak day and peak hour in the period from 2008 to 2015



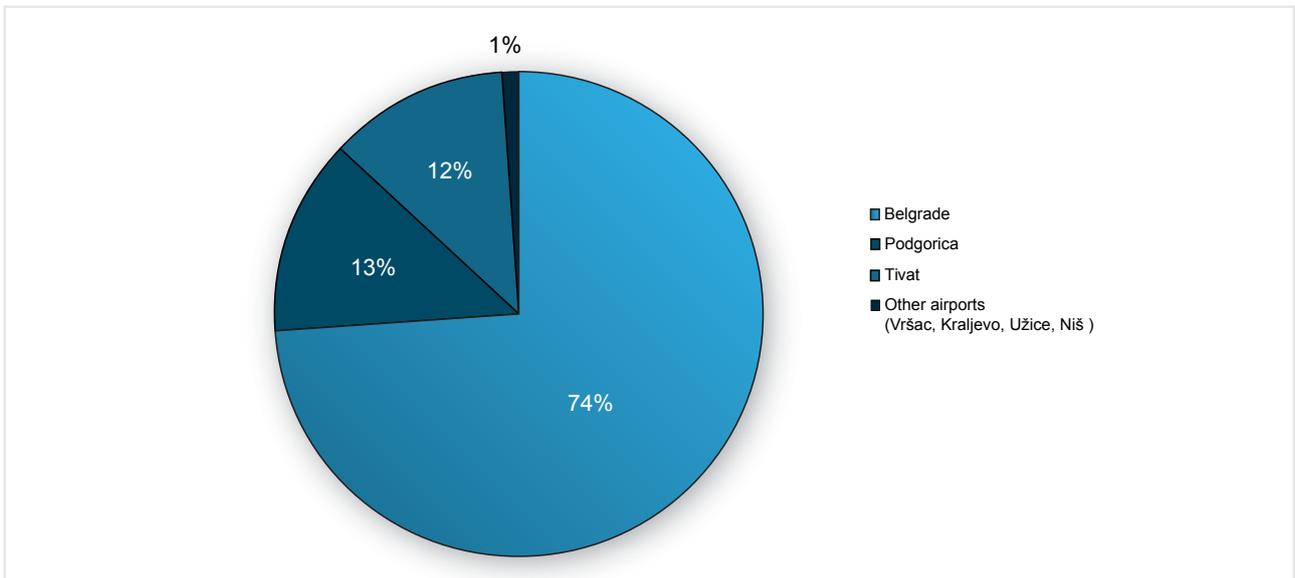
**Figure 5.** Participation of different aircraft types in 2015



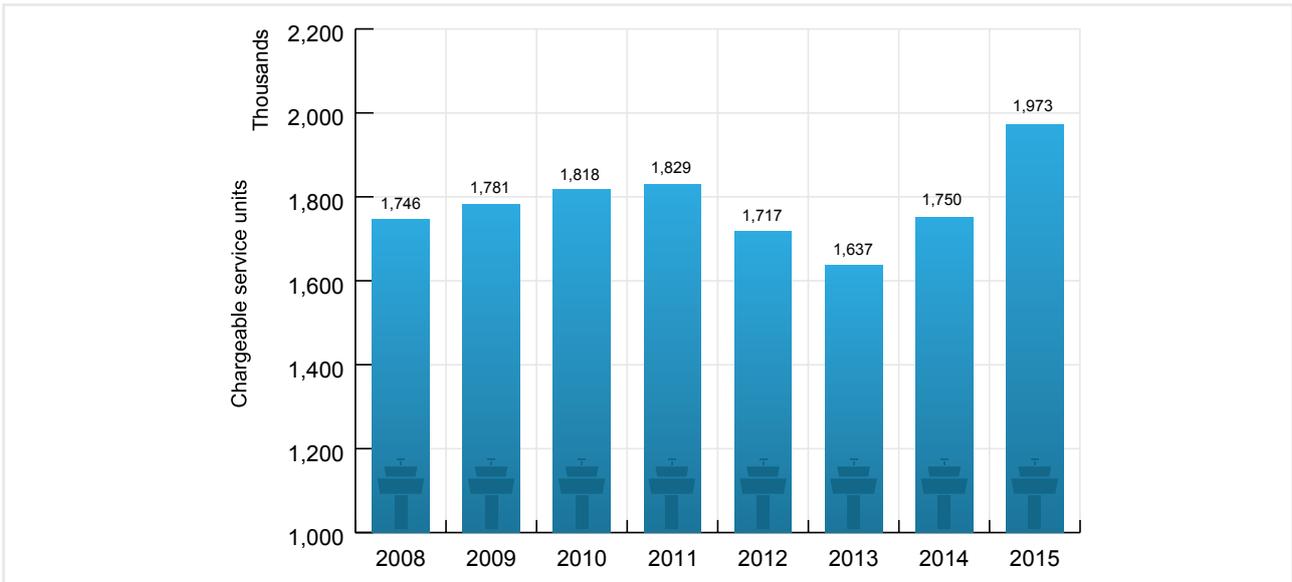
**Figure 6.** Number of take-offs and landings at airports in the period from 2008 to 2015



**Figure 7.** Distribution of traffic at some airports in 2015



**Figure 8.** Number of service units in the period from 2008 to 2015



**Figure 9.** Average flight length and average MTOW in FIR Beograd in the period from 2008 to 2015

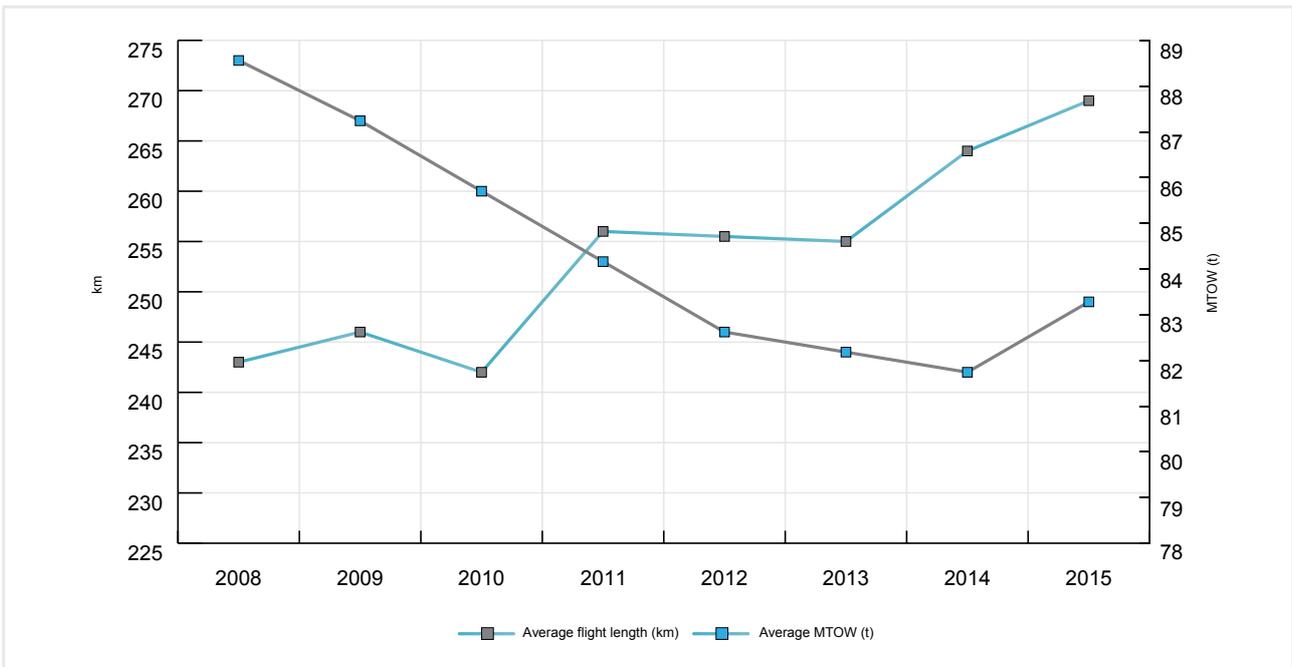
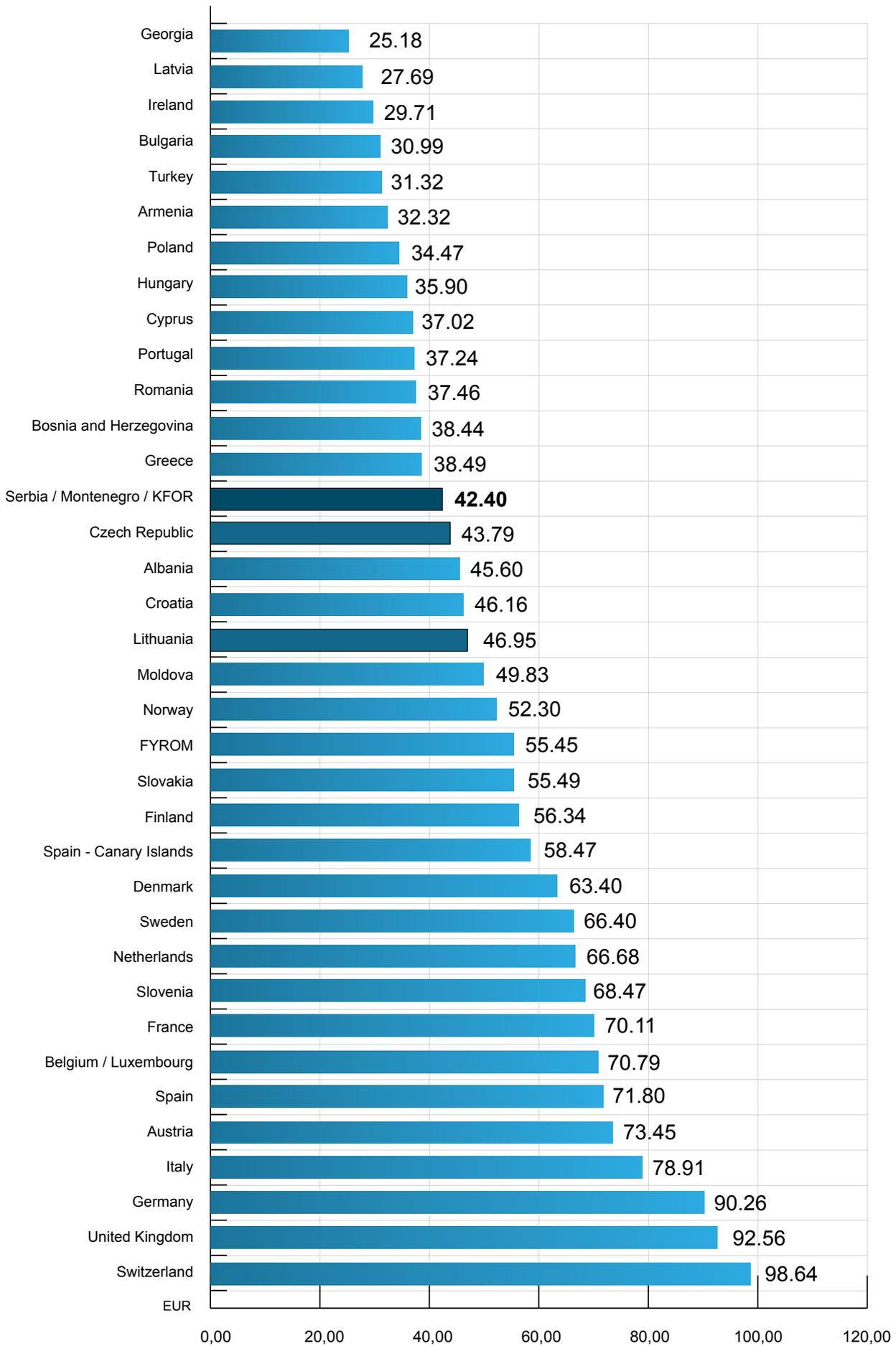


Figure 10. Unit rate value in 2015



### 3.2 Equipment, Systems and Infrastructure Improvement

CNS infrastructure of SMATSA Ilc consists of technical systems and devices that may, at any time, meet customer's requirements, providing the accurate, precise and reliable information. Improvements of systems, equipment and infrastructure in the previous period enabled their condition to fully meet international standards and requirements in terms of capacity, functionality and environmental protection.

The activities carried out within the implementation of the activities plan for 2015 contributed to raising the level of service provision in the field of communications, navigation and surveillance to a much higher level, thus meeting the needs of service users.



**Table 2.** Realization of planned activities in 2015 within equipment, systems and infrastructure improvement compared to planned projects

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 01.01.02	<b>Install a radar system at a suitable location to cover the southeastern area of responsibility of ATCC Belgrade</b>	<p>In the course of 2015, a number of activities were done within the working group for the analysis and selection of sites for construction of a new radar station:</p> <ul style="list-style-type: none"> <li>• analysis of possible locations to build a new radar station in the southeastern part of the area of responsibility of ATCC Beograd (location Besna Kobila was chosen as the most appropriate),</li> <li>• internal analysis of location Besna Kobila for setting up the new radar of SMATSA Ilc,</li> <li>• analysis of mutual influence of the secondary radar for the surveillance of air traffic and existing/planned radio systems at the site of Besna Kobila - made by the Faculty of Electrical Engineering in Belgrade,</li> <li>• geodetic surveying of location Besna Kobila,</li> <li>• measurement and spectrum analysis conducted by the staff of SMATSA Ilc and RATEL,</li> <li>• resolving issues of property relations for the selected location was initiated.</li> </ul>

**Table 2.** Realization of planned activities in 2015 within equipment, systems and infrastructure improvement compared to planned projects

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 01.01.03	<b>Install a secondary radar at Srpska Gora</b>	<p>Within the project, the following activities were carried out in 2015:</p> <ul style="list-style-type: none"> <li>• the installation and Site Acceptance Test (SAT) were completed,</li> <li>• the analysis of radar data was performed,</li> <li>• radar system calibration from the air was carried out,</li> <li>• the training of employees at the site and probation were completed.</li> </ul> <p>Before putting the system into operational work, Final Acceptance Certificate had been signed on 18/03/2015, after which the warranty period of 12 months began. The system was put into operation on 30/04/2015.</p>
BSO 01.03.03	<b>Improve VHF/UHF radio network by adding/relocation radio centres</b>	<p>The work on the analysis initiated during 2014 is continued, with the aim to select a suitable site for the construction of a new VHF/UHF radio centre, this improving the coverage of thus improving the coverage in the SMATSA Ilc area of responsibility. Potential locations were visited. The analysis includes comparison of the sites in different techno-economic aspects, and after the potential locations had been identified, the check of the urban and technical conditions and possibility for construction started.</p>
BSO 01.03.04	<b>Improve VHF/UHF radio system for the needs of ATCC Belgrade</b>	<p>In the course of 2015, the second phase was completed and the third phase was carried out, of the project for the installation of radio systems at locations Kopaonik, Podgorica and Transmission Centre Rudnik, thus completing all planned activities within this project.</p>



**Table 2.** Realization of planned activities in 2015 within equipment, systems and infrastructure improvement compared to planned projects

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 01.03.05	<b>Improve AMHS functionalities</b>	During 2015, the technical specification for AMHS system upgrade with new functionalities was prepared, but due to the problem of insolvency of Company Comsoft as the only potential bidder, this project (procurement) was rescheduled for 2016.
BSO 01.03.06	<b>Implement the connection to the PENS network</b>	Connecting to the PENS network was not implemented in 2015 due to the complexity of the procurement procedure which must be carried out in order to make this connection implemented. The connection to the PENS network is expected in 2016.
BSO 01.08.02 <sup>1</sup>	<b>Modernize and automate the aeronautical meteorological observations</b>	
A1	<b>Procurement and installation of laser ceilometers and visibility sensors; phase II of the procurement.</b>	<p>In accordance with the Agreement from March 2015, concluded with the bidder Vaisala from Finland, the second phase includes delivery and installation of laser ceilometers and visibility sensors for airports in Batajnica, Niš and Kraljevo as follows:</p> <ul style="list-style-type: none"> <li>• ADC Batajnica - a device has been in operational use since 17/09/2015,</li> <li>• ADC Niš - a device is installed and put into trial operation in November 2015,</li> <li>• ADC Kraljevo - a device was installed in December 2015.</li> </ul>
A3	<b>Procurement and installation of a system for detecting the electrical discharges in the atmosphere</b>	All the necessary documentation to start the procurement procedure was made. On 30/11/2015, the decision was made to start the procedure of public procurement.
A5	<b>Upgrade of SAWAS system</b>	After successful completion of the negotiation process with the Institute M. Pupin, the contract for SAWAS system upgrade, NAB.00-75/82 from 20/08/2015 was signed. Two stages were stipulated in the Contract. The first phase of the implementation is in the test period.
A6	<b>Procurement of the MET shelter</b>	The procurement was conducted successfully and agreement was concluded, pursuant to which the delivery of the equipment is expected at the beginning of 2016.

In addition to the above projects, the terms of reference and investment program were completed in 2015, the technical specification was prepared and a tender for the procurement and implementation of Fallback DPS system was announced.

<sup>1</sup> In Table 2, the activities on the implementation of the BSO 01.08.02 are explained in the context of the MET system surveillance

**Table 3. Reasons for the realization of the most important investments listed in the 2015 Annual Report, in the part Specification of investments**

		Commenced	Completed	Transferred to 2016	Rationale
<b>PROJECT DOCUMENTATION</b>					
1.	Project-technical documentation for the construction of the ADC Belgrade Tower with the annex to ATCC Beograd building BSO 01.05.07	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The Conceptual design is made for the purposes of obtaining the location requirements from the relevant ministry, on the basis of which the draw up of the necessary technical documentation will start.
2.	Project-technical documentation for the reconstruction of ACC Beograd BSO 01.05.01	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	In the course of 2015, an open public procurement procedure was conducted and the Decision to terminate the procedure was made (changed circumstances that have affected the issuance of license - license for the development of projects for building constructions in the airport complex). The procurement procedure for service of technical documentation development for infrastructural connection of ACC Beograd and ATCC Beograd buildings was also suspended. The procurement procedure was repeated and the contracts were concluded with Company Mašinoprojekt KOPRING JSC, Belgrade, and implementation is expected in 2016.
3.	Design of IT System BSO 06.01.02	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	In 2015, the Working Group was formed for drafting the terms of reference for the implementation of IT system design for SMATSA Ilc. Continuation of activities is expected in the future period.
4.	Project - technical documentation for buildings legalization BSO 01.05.02	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SMATSA Ilc has filed requests for legalization of all facilities it uses within the legal deadline, and for which there are no corresponding permits or which are not adequately recorded or registered on SMATSA Ilc. In this process SMATSA Ilc is obliged to ensure, among other things, as-built drawings for facilities that are several decades old. In cases where as-built drawings cannot be found in the archives, it is necessary to procure the service of development of projects of existing facilities for the needs of their legalization.
<b>CONSTRUCTION AND RECONSTRUCTION OF FACILITIES</b>					
1.	Adaptation of Receiving VHF/UHF Radio Centre Rudnik and construction of auxiliary facility BSO 01.05.05	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The contract on public procurement of the adaptation works on the Receiving VHF/UHF Radio Centre Rudnik and construction of its auxiliary facility were concluded in 2015. The final reception of all performed works and realization of this investment are expected in 2016. Adaptation of Receiving VHF/UHF Radio Centre Rudnik is necessary in order to ensure the conditions for installation of a new VHF/UHF radio system planned for this location (as provided in the Project for Improvement of VHF/UHF radio system for the needs of ATCC Beograd).

**Table 3. Reasons for the realization of the most important investments listed in the 2015 Annual Report, in the part Specification of investments**

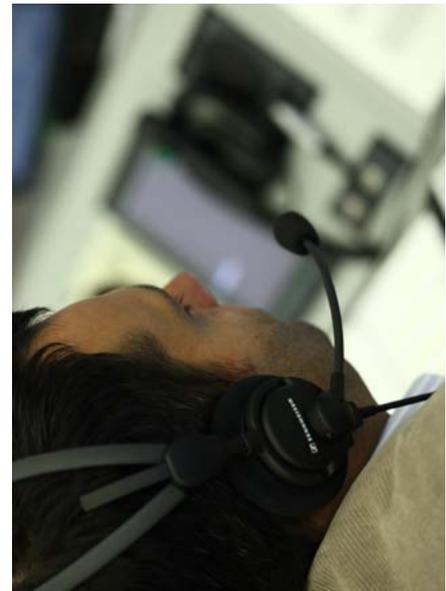
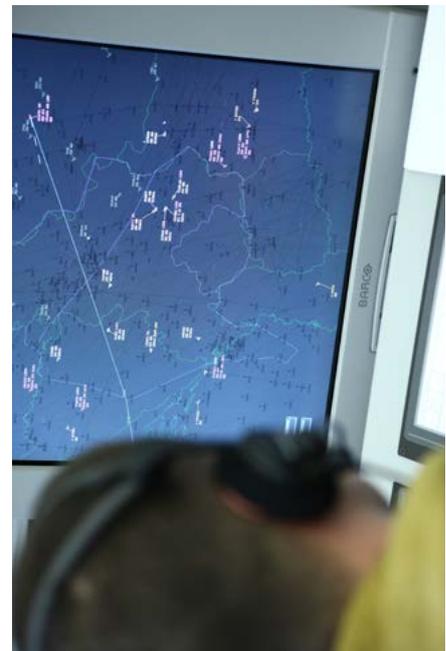
	Commenced	Completed	Transferred to 2016	Rationale
2.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The contract on public procurement of the reconstruction works on the ADC Tivat facility was concluded in 2015. Implementation of this investment is expected in 2016. The goal of this investment is to create better working conditions for ATCOs and other personnel in the ADC Tivat and preparation of the facility for the increasing traffic at the airport Tivat.
3.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Reconstruction of electrical installations, plants and facilities should be carried out on the basis of projects for designing the electrical infrastructure for which the procurement process is currently in progress. The above reconstruction should include the works on facilities of SMATSA Ilc, which do not meet the prescribed requirements, as established on the basis of regular testing of electrical installations, as well as replacement of worn-out installations and equipment. The reconstruction of electrical installations in the facilities of ADC Ponikve and RS Koševac are primarily planned. Installation of new, modern technological devices, as well as reconstruction of dilapidated infrastructure provides the conditions for better and safer providing of services of electricity supply system maintenance.
<b>EQUIPMENT</b>				
1.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	This procurement continues the multi-year process of replacing the devices for uninterruptible power supply and devices for DC power supply at all locations of SMATSA Ilc. Buying the new equipment is conditioned by increase in demands arising from installation of new systems, as well as the lower reliability of existing devices and increasingly difficult purchase of spare parts due to cessation of production of existing devices that are generational and technically outdated. Locations planned in this procurement in 2016/2017 are: RDR Kopaonik (UPS 2x60 kVA, BP, 2xBMS), RDR Murtenica (UPS 2x60 kVA, BP, 2xBMS), Headquarter building (1xUPS 100 kVA, BP, 2xBMS), TH BG (2xUPS, BP, 2xBMS, DC), ADC Ponikve (DC), TK Sveti Ilija (DC), TH Kraljevo (DC), VS Zemun (DC) COKL BG (DC), ADC Višac (DC), RNS Topola (UPS and DC), RNS Požarevac (UPS and DC), LLZ Tivat (UPS and DC), TH Tivat (UPS and DC), RNS Sremska Mitrovica (UPS and DC), RNS Valjevo (UPS and DC), RNS Batajnica RF BT (UPS), RNS Batajnica RF PZ (UPS) RNS Jajinci (UPS), RNS Makiš (UPS), RNS Ugrinovci (UPS), RNS Krmješevci (UPS), RNS Pančevo (UPS). The public procurement procedure started in 2015, whereas signing and implementation of the Contract are expected in early 2016.

**Table 3. Reasons for the realization of the most important investments listed in the 2015 Annual Report, in the part Specification of investments**

	Commenced	Completed	Transferred to 2016	Rationale
2. Procurement of RDR simulator	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The contract on public procurement of radar simulator was concluded in 2015 and complete realization of the contract is expected in 2016. A new radar simulator should replace ASUE/FIRSTplus radar simulator whose resource is expiring and should provide effective training for students of air traffic control and air traffic controllers. Expiring of the software/hardware resources is an additional reason for the start of the procurement of the radar simulator. A new radar simulator should provide effective training for students of air traffic control and air traffic controllers for the following purposes: Basic Training and Rating Training, Continuation Training, Development Training and Testing and Validation of Operational Procedures and Processes.
3. Expanding the capacity of VCS simulator for RDR simulator	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The contract on public procurement for expansion of the capacity of VCS simulator for radar simulator was concluded in 2015. Total value of the investment was fully implemented in 2015. The investment included a purchase of additional hardware to equip the radar simulator workplaces, in order to ensure full functionality of the system for the implementation of trainings.
4. Purchase of hardware for the needs of installation of CIMACT system and installation of the system BSO 01.04.06	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The contract on public procurement of hardware was concluded and completed during the year of 2015, while the conclusion of the contract on procurement and installation of software is planned during 2016, in order to implement the system itself on purchased hardware. CIMACT system will ensure the fulfilment of the obligations of integration and compatibility on the regional and European level with regard to safety and protection and the Concept of Flexible Use of Airspace. Civil-military coordination between air traffic control units and competent units of the Army of Serbia and the Army of Montenegro is maintained at the tactical level in accordance with the work procedures and technology that have not changed significantly in recent decades.

**Table 3. Reasons for the realization of the most important investments listed in the 2015 Annual Report, in the part Specification of investments**

	Commenced	Completed	Transferred to 2016	Rationale
5. Procurement of DVOR/DME equipment for airports in Beograd and Vršac BSO 01.02.02	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>The contract on public procurement of the DVOR/DME equipment for airports in Belgrade and Vršac was concluded in 2015.</p> <p>After successful completion of the public procurement process, the contract with Indra Navia from Norway was signed in August 2015. The factory training for the device maintenance was held in September, FAT was conducted in November 2015, and the delivery of goods in December 2015. The installation is planned in the second quarter of 2016, after completion of the preparatory construction works.</p> <p>The DVOR/DME investment at locations in Belgrade and Vršac will significantly improve the instrument flight and increase the safety of air traffic.</p>
6. Localizer for the airport Tivat BSO 01.02.03	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>The contract on public procurement of the localizer for the airport Tivat was concluded in 2015.</p> <p>After successful completion of the public procurement process, the contract with Indra Navia from Norway was signed in March 2015. The factory training for the device maintenance was held in July, and FAT was performed in August 2015. The equipment was installed and SAT was successfully performed in December 2015. The operational use is planned to begin from 7th January 2016.</p> <p>The device was purchased in order to replace the existing device from 1993.</p>



SMATSA llc acceded to the various consortia in order to participate in the tender processes for Centralized services. During 2015 a number of meetings within the various consortia were held, mainly related to the preparation of tender documentation for the submission of bids (CS-1, CS-6-2, CS-6-3, CS-7-1), and for certain centralized services, dedicated sessions in Eurocontrol were held after the submission of bids (CS-6-3, CS-1). Representatives of CNS participated in the work of consortium for the following centralized services: CS-1, CS-6-2, CS-6-3, and CS-7-1. For centralized services CS-6-3, CS-1 offers were submitted in 2015.



### 3.3 AIS Improvement

Aeronautical Information Service (AIS) includes the provision of aeronautical information/data necessary for the safe, regular and expeditious air navigation.

Aeronautical informing procedures are consistent with international standards and recommended practices contained in the Single European Sky common requirements.

In order to improve AIS, during 2015, additional two employees were trained to use the software for creation of electronic AIP. To enhance the cooperation with the neighbouring providers of air navigation services, the representatives of AIS, together with engineers from the IT sector, met with the functioning of the aeronautical information system in Slovenia control, especially with the project of harmonization with the requirements of ADQ, i.e. operation and characteristics of the system for the direct electronic link. A workshop for CS5 EAIMS safety assessment was also held at the end of last year.

**Table 4.** The summary of realised activities in the area of AIS provision in 2015

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO.01.07.01	Improve the quality of aeronautical data	After defining these strategic objectives, the preparation of the procurement of support services for design of the feasibility study and development of detailed plan of activities in the period up to 2020 has started.
BSO.01.07.03	Introduce a system for the direct electronic link to data sources	The activities on the market research were carried out during 2015.
BSO.01.07.08	Establish the Information Security Management System (ISO 17799) and the Supply Chain Security Management System (ISO 28000)	There was no activity. Feasibility study from BSO.01.07.01 will provide the answers for the way of dealing with this objective.

### 3.4 MET Services Improvement

In order to improve the safety, regularity and efficiency of Air Navigation, SMATSA Ilc provides aeronautical meteorological services in accordance with the national and international standards and regulations.

In the course of 2015, the representatives of SMATSA Ilc participated in the 25th meeting of the "Meteorology group» (METG), held in Paris from 14th to 18th September within the ICAO European Air Navigation Planning Group (EANPG), as well as in the 10th international workshop for professional training in meteorology, organized by EUMETCAL and the European Centre for Medium-Range Weather Forecasts (ECMWF), held from 14th to 19th June in Reading.

METG meetings are held once a year and the situation is monitored and the deployment of all systems in the field of aeronautical meteorology in Europe is coordinated at those meetings, while, in the workshop, the interactive demonstrations were presented, as well as innovative ideas and tools that will be important elements in the future development of aeronautical meteorological services.

In addition, the representatives of SMATSA Ilc have also participated in the European Conference on Meteorology for Aviation (ECMA 2015). The aim of the conference was to draw attention of the members of the World Meteorological Organisation (WMO), Regional Association VI, to the current and future weather changes in Europe, which will contribute to more efficient organisation of air traffic in the region, in accordance with the ATM Master Plan approved by the European Council.

**Table 5.** Realization of planned activities in 2015 in the field of aeronautical meteorology

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO.01.08.01	Centralizing the forecasting functions	<p>The planned activities have been completely implemented and include the following:</p> <ul style="list-style-type: none"> <li>• a working group for the implementation was formed;</li> <li>• an analysis of the existing situation was performed and the plan of the future condition was made, including human resources;</li> <li>• necessary procurements are planned in 2016 and 2017.</li> </ul>
BSO.01.08.02	Modernize and automate the aeronautical meteorological observations	<p>The largest part of planned activities within this BSO has been implemented and includes the following:</p> <ul style="list-style-type: none"> <li>• implementation of visibility meter, power meter and PWD sensors was planned and carried out at the 4 locations;</li> <li>• Upgrade of the software for the system SAWAS for AUTO METAR for ADC Užice was not realized because it requested a change in the order of implementation of visibility meters, ceilometers and PWD sensors established by the Contract, which was not possible.</li> </ul>

## Business Performance

Success of SMATSA Ilc is based on the quality of provided service and the efficiency of the ATC system. In order to improve business performance in accordance with the obligations arising from the national and international standards as well as the needs of the users, SMATSA Ilc is actively monitoring the implementation in relation to the set objectives and taking the corrective measures, if necessary.

### 4.1 Operations in accordance with the SES Targets

Bearing in mind that the Republic of Serbia and the State of Montenegro are the signatories of the ECAA agreement, the Civil Aviation Directorate of the RS and the Civil Aviation Agency of Montenegro have taken the basic regulations related to the Performance Scheme within the Single European Sky into domestic legislation in the form of:

- The Regulation on requirements, issuing and validity period of the certificate for providing air navigation services (Off. Gazette of the RS, No. 32/11, 54/12, 24/13), with which a whole Commission Implementing Regulation (EU) No. 1035/2011 and 1034/2011 from 17/10/2011 is taken over, amending the Regulation (EU) No. 691/2010, and
- The Regulation laying down common requirements, Air Traffic Management and Air Navigation Services security surveillance, software safety assurance system and Performance Scheme (which takes over the Commission Regulations (EC) No. 1035/2011, 1034/2011, 482/2008 and 691/2010), (Off. Gazette of Montenegro, No. 65/2012).



However, the European Commission has the goal to fully integrate the ECAA partners into the third reference period (starting from 2020). In this regard, a document, agreed among the CAA, CAD and SMATSA Ilc, was signed in 2015, defining the procedure and timeframe for the initial implementation of SES Performance Scheme (National Roadmap). The joint working groups at the level of CAD, CAA and SMATSA Ilc were formed. Representatives of SMATSA Ilc actively deal with issues in relation to the defined objectives and provide all the necessary expertise for implementing the Initial National Performance Plan.

In accordance with the requirements of SES, SMATSA Ilc monitors business performance in four key areas: safety, capacity, cost efficiency and environmental protection.

### 4.1.1 Safety

In order to meet the requirements relating to the assessment and monitoring of the safety level in the context of the Performance Scheme, SMATSA llc has developed a process for monitoring the safety indicators in all parts of the system.

Among the objectives relating to the status of Safety Management System of an air navigation service provider (SMS indicators) in the second reference period indicators of the efficiency of the Safety Management System, the implementation level of RAT methodology for classification of occurrences (which SMATSA analyzes on the basis of its SMS) and implementation level of Just culture have been defined.

Information collection and assessment in the field of SMS indicators is done by the European Aviation Safety Agency (EASA). Monitoring these indicators by SMATSA means an annual analysis of the received EASA evaluation, on the basis of which some corrective actions are taken, if necessary.

Monitoring of SMS indicators is done voluntarily, in order to be prepared for the implementation of the regulation that is not yet binding for the Republic of Serbia, but its implementation in the legal system of the Republic of Serbia is expected. Accordingly, on 31st December, 2015, the amended rule book of CAD, that defines monitoring of SMS indicators, entered into force.

Assessment of the efficiency of the Safety Management System is carried out on the basis of safety indicators laid down at the national level by the Aviation Authorities (CAD and CAA). Analysis of safety indicators is carried out annually, and the results for 2015 are presented in the table below.

**Table 6.** Target and achieved values of safety indicators in 2015

Title of safety indicator	Acceptable level of safety	Achieved values
Number of accidents with ATM influence per year	< 0.007 accidents	0
Number of serious incidents per year	< 5 incidents	0
Number of significant incidents per year	< 50 incidents	0
Number of runway incursions per year	< 3 incidents	0
DPS failures per year	< 10 incidents	1
Duration of SSR radar stations outage per year	< 600 minutes	5.86 minutes Koviona 0 minutes Koševac 634.46 minutes Murtenica <sup>2</sup> no downtimes Srpska Gora (Podgorica)

<sup>2</sup> PSR/SSR radar on RS Murtenica had an outage of a total 634.46 minutes during 2015, due to the events from June (the appearance of the alarm on the secondary radar, caused by the adverse weather conditions - frequent atmospheric discharges).

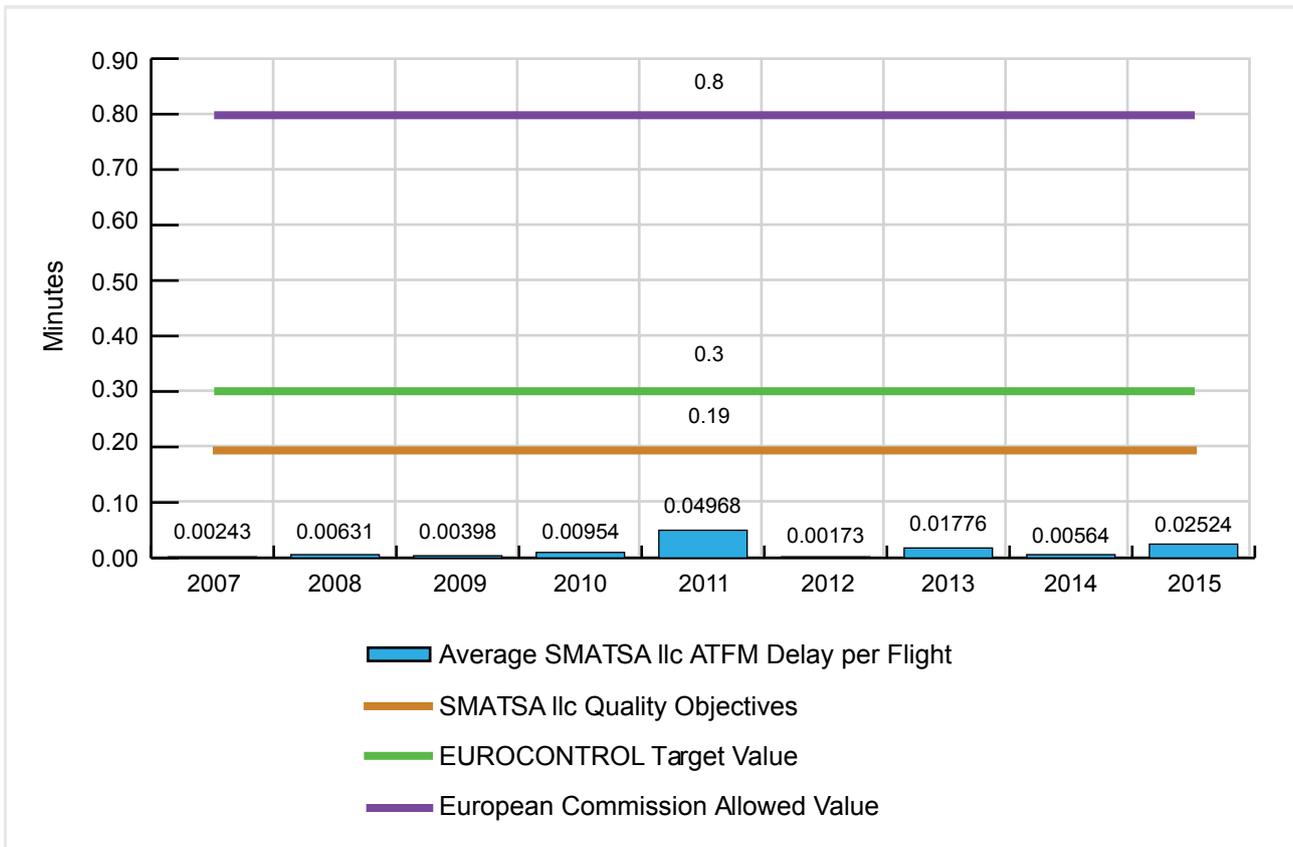
**Table 6.** Target and achieved values of safety indicators in 2015

Duration of PSR radar stations outage per year	< 2,400 minutes	105.28 minutes Koviona 670.25 minutes Murtenica no outages Srpska Gora (Podgorica) <sup>3</sup>
Mean time between outages for LLZ ILS (CAT III) per year	> 4,000 hours	8,746 hours
Mean time between outages for LLZ ILS (CAT I) per year	> 1,000 hours	8,747 hours
Number of losses or degradations of one or more operational frequencies per year	< 60 incidents	7

#### 4.1.2 Capacity and Delays

According to the source EUROCONTROL NMOC, in 2015 the average delay per one IFR flight generated by SMATSA Ilc amounted to 0.02524 min, which meets the requested levels.

**Figure 11.** Average ATFM delay per flight in the area of SMATSA Ilc responsibility from 2007 to 2015



<sup>3</sup> Primary radar at the site Srpska Gora is excluded from the operational use on 18/11/2014 because of the installation of the secondary radar within the project "Upgrading the radar system at the site of Srpska Gora (Podgorica) by installing the secondary radar". Primary and secondary radars on the RS Srpska Gora were put into operation on 30 April 2015. System and total availability for PSR/SSR Srpska Gora is calculated for the time interval from 01 May to 31 December 2015.

### 4.1.3 Cost Efficiency

At the November meeting of the EUROCONTROL Enlarged Committee in 2014, the unit rate value given for Serbia/Montenegro/KFOR charging area for 2015 was determined, and then adopted (Decision No. 132 from 05/12/2014 in Annex No. 1, published in the "Official Gazette of the RS", No. 141/14). In accordance with this decision, the unit rate value given for "Serbia - Montenegro - KFOR" charging area for 2015, is EUR 42.29 (National Unit Rate), i.e. EUR 42.40 (Global Unit Rate) including EUROCONTROL Administrative Unit Rate.

The specified unit rate value, which belongs exclusively to SMATSA in 2015, is approximately EUR 33.47.

SMATSA Ilc income in 2015 is by 5.2% higher than planned i.e. by 5.6% lower than in 2014. Despite the higher realization of traffic and service units, what affected the lower generation of income in 2015

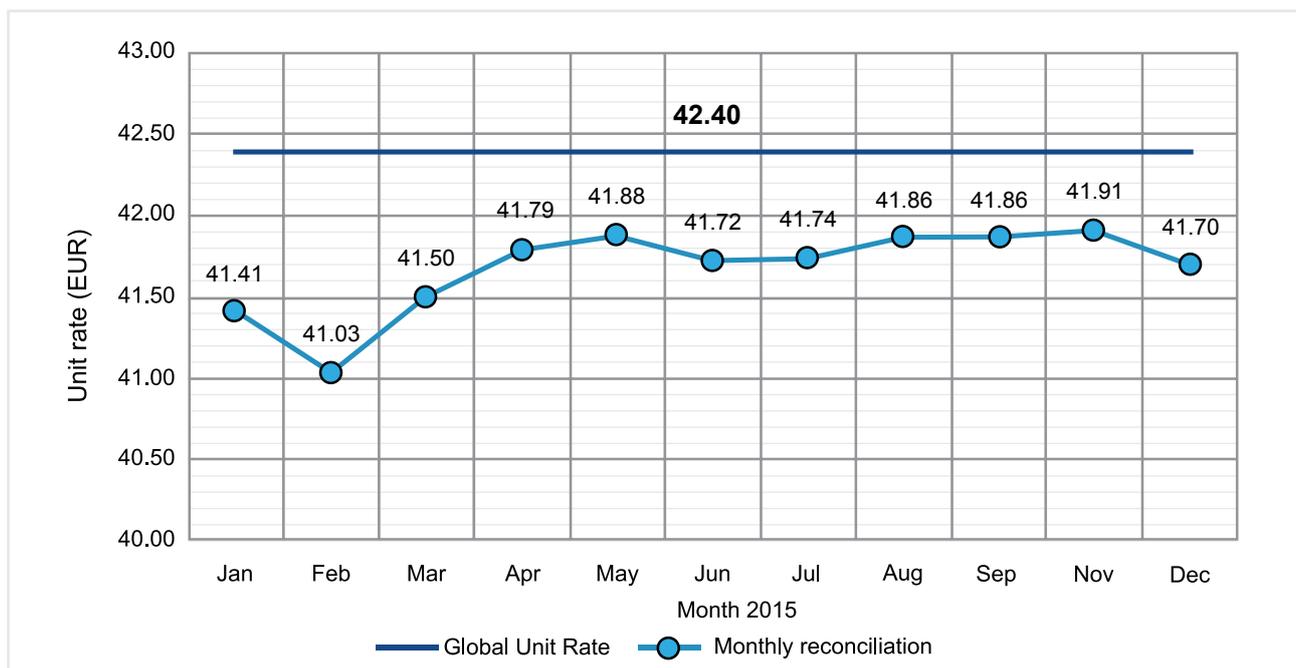
compared to 2014 are the monthly values of the unit rate, and income distribution key among the entities. In addition, it should be noted that the income in 2014 included the collection of the arrears in a more significant amount in comparison with the year of 2015.

On the other hand, the dynamics of realization of investments in 2015 caused a lower realization in relation to the plan, and it resulted in the transfer of investments into 2016.

All of the above did not affect business efficiency of SMATSA Ilc nor the safety and quality of air navigation services.

The figure below provides an overview of the values of the unit rate given for "Serbia - Montenegro - KFOR" charging area and monthly adjusted values for 2015.

**Figure 12.** Unit Rate given for "Serbia - Montenegro - KFOR" charging area in 2015



\*source CRCO

In the second reference period at the EU level, the main indicator of cost efficiency is the average Unit Rate value, which for 2015 amounts to: EUR 56.64 (reduced to the level of EUR = 2009). The aim is defined by the Decision of the European Commission

2014/132/EC. The planned Unit Rate value given for "Serbia - Montenegro - KFOR" charging area, where SMATSA Ilc provides air navigation services, in 2015 was in line with the defined objective of SES.



#### 4.1.4 Environmental Protection

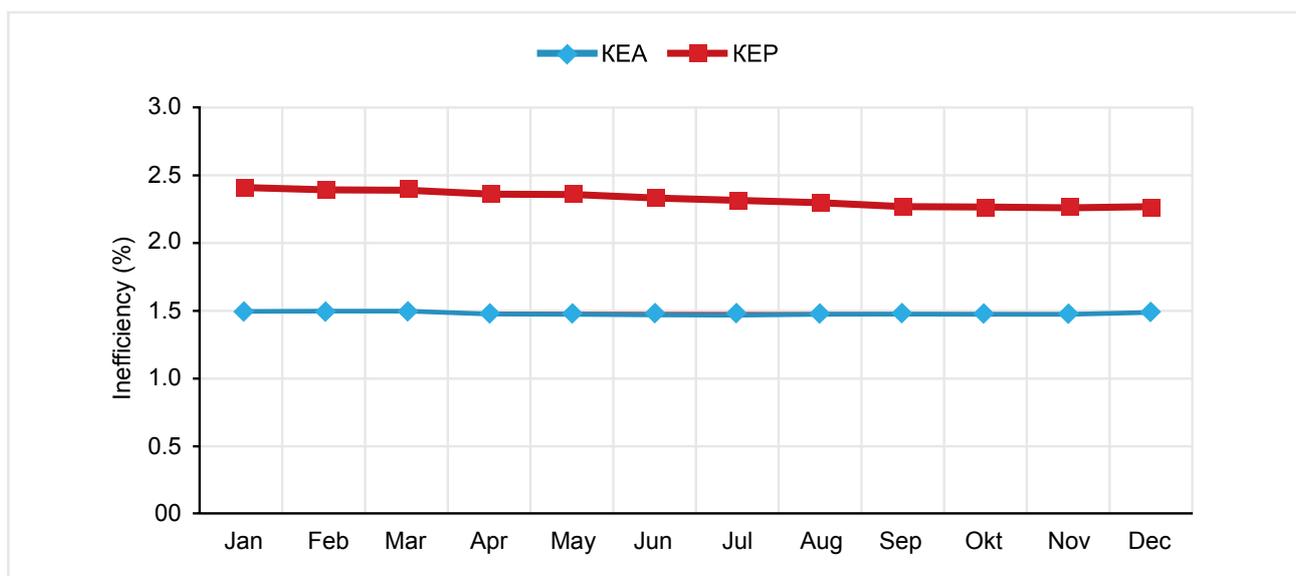
Rating of the environmental protection level is carried out on the basis of the average horizontal flight efficiency, an indicator recognized in the regulations concerning the Performance Scheme in the context of the Single European Sky regulation. In the second reference period (2015-2019), target values of indicators are defined as follows:

1. KEA (Key performance Environment indicator based on Actual trajectory) - indicator of the deviation of the flight path in relation to the great circle path. The average horizontal flight efficiency by 2019 is a deviation from the actual path of 2.6% in relation to the great circle path,

2. KEP (Key performance Environment indicator based on last filed flight plan) - indicator of the deviation in the last filed flight plan relative to the great circle path. The average horizontal flight efficiency by 2019 is a deviation from the last filed flight plan of 4.1% in relation to the great circle path.

The values of the horizontal flight efficiency indicators for Serbia and Montenegro in 2015 fully meet the set values, as shown in the figure below.

**Figure 13.** Horizontal flight efficiency for Serbia and Montenegro in 2015 (source: EUROCONTROL/PRU)



This confirms once again that with constant improvement of the route network, airspace and work technology organisation, as well as with introduction of new procedures, SMATSA llc is making a significant contribution to environmental protection.

## 4.2 Operation in relation to other objectives

### 4.2.1 Quality of services

At the regular meeting of the Quality Committee, SMATSA Ilc analyzes and determines the annual quality objectives.

The following table represents the analysis of the fulfilment of 2015 quality objectives:

Table 7. Analysis of the fulfilment of 2015 quality objectives				
Service	Objective	Planned	Achieved	Note
ATM	The average delay per IFR flight generated by SMATSA Ilc annually	less than 0.3 minutes	YES	0.0252 minutes
	The percentage of aircraft that take off from the area of responsibility of SMATSA Ilc within the time tolerance of issued slot	more than 83%	YES	89.91%
	The number of serious incidents, which are found to have been caused by ATM	less than 5	YES	After examining the base of events in SAF.00 for 2015, it was determined that there was a total of 251 reported events, 6 of which required further analysis, 5 by the SAF.00 department and one by CAD in cooperation with experts from SMATSA Ilc. Besides the helicopter accident, no other event was qualified by the Aviation Authorities as an accident or serious incident.
CNS	The system availability of technical devices and systems that directly affect the provision of services	A(t) = 99.9%	YES	Despite the exceptions from the desired values of system availability specified in the Annexes, and due to the individual and group redundancy of CNS devices and systems, during 2015 it can be considered that the objective of quality in the field of CNS is met.
MET	Terminal Aerodrome Forecast (TAF)	according to ICAO Annex 3, Attachment B	YES	Average for all airports 95.2%, thus achieving the desired operational accuracy given in ICAO Annex 3, Attachment B.
AIS	Quality rating Q	higher than 0.77	YES	0,778
TRE	Realization of theoretical training number of classes for the current year, for each enrolled group of candidates in the ANS Personnel Training Centre	100%	YES	Classes of theoretical training have been conducted in accordance with the appropriate Decision on the training conduction.
	Realization of practical training number of classes for the current year, for each enrolled group of candidates in the ANS Personnel Training Centre	100%	YES	Classes of practical training have been implemented in accordance with the appropriate Decision on the training conduction.

**Table 7.** Analysis of the fulfilment of 2015 quality objectives

Service	Objective	Planned	Achieved	Note
<b>ATO</b>	The percentage of the realized classes of theoretical training in relation to the planned number of classes for the current year, for each enrolled group of candidates at SMATSA Aviation Academy	100%	YES	117%
	Meeting the planned deadlines for completion of theoretical training for the current year at SMATSA Aviation Academy	100%	YES	Deadlines for completion of all enrolled groups are met.
	The percentage of completed flight hours in relation to the planned number of flight hours for the current year, for each enrolled group of candidates at SMATSA Aviation Academy	100%	YES	116%
	Meeting the planned deadlines for completion of flight training for the current year at SMATSA Aviation Academy	100%	YES	Deadlines for completion of all enrolled groups are met for all the candidates who regularly attended the flight training.
<b>CAL</b>	Implementation of the annual calibration plan	100%	YES	106%
	Successful contract renewal	2 contracts	NO	1 contract
<b>MO</b>	Compliance with work norms expressed in percentage compared to the norms prescribed by the manufacturer of the aircraft	more than 97%	YES	97.78%
	Renewal of existing contracts with users of aircraft maintenance services and signing and implementation of the contract on aircraft maintenance services	Renewal of existing contracts with users of aircraft maintenance services and signing and implementation of the contract on the provision of aircraft maintenance services	YES	All the previous contracts with the users of aircraft maintenance services are in effect and 4 new contracts on the provision of aircraft maintenance services owned by a third party were signed and implemented.



#### 4.2.2 Other Business Performance Indicators

For certain areas that are not covered by quality objectives and by European and domestic regulations, the internal objectives are set, that play a role in measuring business performance in certain business areas based on performance indicators.

Table 8. Other business performance indicators				
Area	Title of indicator	Method of monitoring (methodology or formula)	Planned	Achieved
CAL	Flight safety during the execution of ground based radio navigation aids calibration tasks	Number of events that have had an impact on endangering the flight safety	0	0
IT	Time of operation of VDI system without failures and downtime	Percentage of availability time for the period of one year	95%	65%
IT	Time of IT operation; data centre based on virtualization of the server, network and system resources for data storage	Percentage of time without failure for the period of one year	99%	99%
IT	Percentage of realization of planned procurements in the investment cycle of procurement of IT equipment and licenses	Percentage of realization	100%	90%
IT	Time of glitch removal and reports of interferences on IT equipment and systems	Time expressed in minutes	15	30
IT	Monitoring of system under control	Percentage of system under control. Monitoring the applied measures in the IT system in order to increase the time of availability of the system	70%	80%

# 05

## Organisational Technology-based Management Systems

### 5.1 Air Traffic Safety

Development of the Safety Management System in accordance with the requirements and recommendations of the national and international legislation and recognized or accepted good practices is one of the main objectives of SMATSA Ilc.

By constantly improving the level of safety, SMATSA Ilc strives to provide all the necessary conditions for the safe running of air traffic in its area of responsibility, and thus, in the best way, satisfy the requirements of its users.

By following the basic principles of safety, in its operations SMATSA Ilc applies the relevant processes and procedures that ensure a better understanding, acceptance and implementation of high standards of air traffic safety, in accordance with the highest standards and recommended practices.

Evaluation of the performance of the established Safety Management System is performed by the EUROCONTROL every year. According to the results of the analysis "Safety Maturity Score" for 2015, SMATSA Ilc was ranked in first place in the category of 48 providers of air navigation services.

Establishing the "Runway Safety Team" for Airport Nikola Tesla Beograd in the middle of 2015 is another example of good cooperation of SMATSA Ilc with other participants in the air traffic system of the Republic of Serbia and dedication to continuous improvement of safety.

In accordance with the plan, in the field of safety, during 2015, the activities were implemented within the basic project (BSOs), whose implementation is envisaged by SMATSA Ilc Business strategy (Table 9).



**Table 9.** Realization of planned activities within the improvement of the safety management system in 2015

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO.05.01.01	Develop awareness of Safety Culture and Just Culture	The activities to improve the Safety Culture were performed, in accordance with the conclusions and recommendations of an independent measurement and a plan described in the internal documents of SAF. Increased number of initiatives and pointing out the latent risks in behaviour and work of executors, as well as the inconsistencies within the prescribed documents, indicate the popularization of Just Culture among the employees.
BSO.05.01.02	Implement the policies of Just Culture	Policies of Just Culture were adopted and approved on 30th June 2015.
BSO.05.01.03	Integrate the concept of Safety Culture and Just Culture into the organisational activities and processes	<p>Improving the Safety Culture and integrating the principles of Just Culture into organisational activities and processes of SMATSA llc were conducted during 2015 through the following activities:</p> <ul style="list-style-type: none"> <li>• Improving the system of events reporting by introducing the category of voluntary reporting and providing proposals for improving the overall service;</li> <li>• Working on development of organisational awareness that, in work, errors are unavoidable category, but that employees must follow the prescribed operating procedures and that intentional errors will not be tolerated;</li> <li>• Providing technical support to the employee who was involved in the accident/incident in the form of legal representation in the court proceedings;</li> <li>• Creating CISM document (Critical Incident Stress Management);</li> <li>• Prescribing the procedure of returning employees into the operational work, according to the severity of events in which they participated.</li> </ul>
BSO.05.02.01	Implementing ASMT (Automatic Safety Monitoring Tool)	ASMT implementation in 2015 was not realized due to objective reasons. A set of necessary documents and activities are prepared for the purpose of implementation of the tool.

## 5.2 Quality Management

Quality Management tasks includes the participation in the preparation and coordination of activities during periodic audits of all services that SMATSA Ilc provides, by national supervisory authorities of the state-owned founders of SMATSA Ilc, as well as implementation of internal audits.

Also, as part of EASA audit, which was conducted in 2015 in Montenegro, representatives of the Quality Management Department participated in the comprehensive preparatory activities and meetings at the level of SMATSA Ilc, as well as with the representatives of the Civil Aviation Agency of Montenegro. Within EASA supervision, the subject to verification was the QMS system and its application in the organisational units of SMATSA Ilc in Montenegro. After the audit, the

representatives of QMS SMATSA Ilc actively participated in defining the proposed measures according to the findings of EASA, as well as in subsequent activities after the check in organisational units in Montenegro.

During 2015, a regular annual audit of the established Quality Management System (QMS) in SMATSA Ilc was successfully conducted by SGS Certification Company, as part of maintaining ISO 9001 certificate validity. With the entry into force of the new version of ISO Standard 9001:2015, a three-year transitional period for SMATSA Ilc to adjust to new requirements of the Quality Management System began. In addition, the activities on the introduction of Environmental Management System (EMS) were initialized, according to ISO Standard 14001:2015.

**Table 10.** Realization of planned activities in 2015 in the field of quality management

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 04.02.01	Establish the policy of environmental protection and sustainable development	The Policy of environmental protection and sustainable development was established and entered into force on 15th December 2015.
BSO 04.02.02	Document and implement the procedures in the field of environmental protection	The procedure for Waste management and associated plans were adopted. Drafting of a larger number of new procedures is in progress, according to the requirements of EMS system, and updating of a number of existing procedures from other domains (QM, NAB, CED, GEN).
BSO 04.02.03	Comply with the national and EU legal requirements in the field of environmental protection	In order to comply with the national and EU legal requirements in the field of environmental protection, preparations for the implementation of public procurement procedures for the realization of services of soil, groundwater, equipment and material testing are in progress.
BSO 04.02.04	Reduce greenhouse gas emissions (objective ENV01)	Navigation procedures using the CDA (Continuous Descent Approach) technique have been identified as an aspect of environmental impact and will be managed as part of the Environmental Management System.
BSO 04.02.05	Establish the general and specific objectives in the field of environmental protection	The scope of work of the Quality Committee of work in the field of environmental management is expanded. A proposal for general and specific objectives in the field of environmental protection was designed, which will be forwarded to the Quality Committee for adoption in early 2016.
BSO 06.01.01	Introduce the Lean concept into operation of SMATSA Ilc and execute the business processes analysis	In order to optimize and improve the management system at the level of SMATSA Ilc, the trainings in modern methods of organisation, processes and risks management will be included in the procurement plan for 2016.



### 5.3 Information Technologies

The function of information technologies in SMATSA Ilc provides the maintenance and upgrade of information infrastructure, development of applications for the current business processes, while providing the maximum reliability and quality of the complete system.

Multiple applications were developed within the application services department during 2015:

1. Application for recording and monitoring of the public procurement contracts,
2. A new Web site for the IFIS conference that, in addition to basic information about the event, enables registration of the participants with the possibility of paying the registration fee by credit card and generating the pro forma invoice and
3. Web application for displaying the radar and satellite meteo data for the purpose of informing air traffic controllers.

In addition, the preparation of a web application that combines all the features of two-way communication between the CRCO and SMATSA Ilc for the purpose of invoicing and collection of route charges has started.

During the year, the work was done on the information portal about the completed operations, that will carry out the processing and display of traffic in 3D/4D technology, DCT analysis and verification of the information received with the CRCO data. The portal will be obtained by connecting the SMATSA

FDPS system and Eurocontrol NM system in an existing database of completed operations. The application will include graphical and analytical tool that will be used to analyze the realized traffic in the transport network system in the region, to analyze the environmental parameters and verify the income of the realized flight.

Creating the Web application for managing the storehouse operations has also started in 2015. With the help of this application, the input of the fixed assets based on the input document will be recorded on the one hand, and on the other hand it will record all debts and condemnations of fixed assets. A multitude of reports and records, such as check-out forms, charge lists, stock lists and so on will be available for the users.

Continuous investment into IT infrastructure is a prerequisite for business processes development, i.e. efficient and effective exchange of electronic data. In the period from March to December, the annual investment cycle of procurement of computer, server and network equipment was conducted, as well as the expansion of data storage system.

In accordance with the Business Strategy of SMATSA Ilc, the Working Group was formed for drafting the terms of reference for the implementation of information system design for SMATSA Ilc (BSO 01.06.02).

## 5.4 Security

In order to raise the awareness about the importance of safety and health protection and fire prevention at work, the training was conducted for employees in SMATSA Ilc in the last year, in accordance with the applicable regulations in these areas.

In the period from October until December last year, the training on the importance of aviation security was conducted for 150 employees in SMATSA Ilc, that can access, unaccompanied, the restricted areas of the airport and critical information systems.

During 2015, approvals were obtained by the CAD and CAA for the documents related to aviation security:

1. SCM.MAN.001 - Aviation Security Programme for the territory of Montenegro, and
2. SCM.MAN.002 - Aviation Security Programme.

The programmes are in compliance with the National Civil Aviation Security Programme of the Republic of Serbia and the National Civil Aviation Safety Program of Montenegro.

During the year, the installation of video surveillance in ADC Niš, RS Koviona and Transmission centre Rudnik was performed, as well as the systems for access control in ADC Niš, ADC Vršac, Transmission centre Rudnik and Transmission centre Belgrade.

In addition, the anti-burglar system was installed with the possibility of remote control via 2G/3G mobile network at the Ground Based Radio Navigational Aids locations.

In November, SMATSA Ilc was part of the ECAC Aviation Security Audits in the Republic of Serbia, and during the audit, the security measures applied by SMATSA Ilc were tested in accordance with the requirements of ECAC Doc 30.

In order to contribute to the improvement of aviation security measures and procedures at the airport, the representatives of SMATSA Ilc regularly participated in meetings of the Airport Aviation Security Committee during 2015.



## Human Resources

In accordance with following the modern trends in the field of human resources development, the work on improving, revising and implementing the procedures and policies in this field continued in 2015.

Representatives of SMATSA Ilc participated in the regular annual meeting of the "FEAST User Meeting Group 13" in order to monitor the development of the selection instrument, exchange of experiences with other users of the test, analysis and interpretation of candidates' achievements and implementation of the new software platform.

Moreover, in 2015, in cooperation with the Civil Aviation Directorate of the Republic of Serbia, a course "ATCO Medical Requirements" was organized and implemented, with an emphasis on the presentation of the activities and tasks of air traffic controllers and their analyses from the standpoint of human factor.

**Table 11.** Realization of planned activities in 2015 in the field of human resources

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO.07.01.01	Coordinate the activities of improving the systematization of the jobs in accordance with the Business Strategy	The Rule book on Amendments to the Rule book on the Organisation and systematization of the Jobs of Air Traffic Control Officers of Serbia and Montenegro SMATSA Ilc Belgrade
BSO.07.01.02	Conduct an analysis of the jobs per workplace/OU	After adopting the Catalogue of OU, tasks analysis of jobs per workplace/OU started and was partially performed in 2015. The completion of the analysis and proposal for amending the job description per the workplace/OU is expected in 2016.
BSO.07.01.03	Carry out a detailed analysis of the knowledge and skills required for the key positions in business development of SMATSA Ilc	The analysis of the required knowledge and skills for all jobs in SMATSA Ilc started and was partially performed in 2015. Through the draft text of the document Career management, the proposal for amendments to the criteria required for certain positions was done. In 2016 the process of defining the key positions in business development of SMATSA Ilc will begin.
BSO.07.01.04	Carry out a detailed analysis of the psychophysical demands of the jobs and contraindications for the specified job	The analysis of the psychophysical demands of the jobs and contraindications for the specified job started and was partially performed in 2015. The procedures for monitoring the psychophysical demands of the jobs and contraindications for the specified job will be designed in 2016.

**Table 11.** Realization of planned activities in 2015 in the field of human resources

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO.07.03.01	Continuously develop more objective systems of employee assessment methodology	The procedure for Career management was defined in 2015 and its implementation is expected in 2016. As part of the procedure, these forms have been developed: employee assessment during the training, probationary, periodic (annual) assessment of employees by a direct supervisor.
BSO.07.03.04	Systematically run the activities to raise the level of employee satisfaction	In the context of Career management procedure the employee Self-assessment form is developed, which gives the possibility to the employees to express their abilities and affinities in terms of developing their careers in SMATSA llc.
BSO.07.04.01	Establish a system of continuous monitoring of psychophysical condition of aviation personnel from the point of the security of air traffic	The procedure HUM.PROC.004 was adopted - Monitoring of Medical Ability of Air Traffic Control Officers and Pilots.
BSO.07.04.02	Establish a system process of stress management in the workplace	The procedure for Critical Incident Stress Management was created and submitted for opinion.
BSO.07.04.05	Implement CISM	CISM program is part of system stress management process in the workplace and is included in the proposal for the procedure for Critical Incident Stress Management.
BSO.07.05.01	Develop a program for training of the Air Traffic Control Officers in cooperation with universities for achieving the VI and VII level of education	The process of cooperation with the Faculty of Transport in Belgrade in the development of study programmes for Air Traffic Control Officers and Pilots started in 2015.
BSO.07.05.02	Establish a system of continuous education and training of the employees	A public procurement procedure to improve the English language skills of air traffic controllers outside the aviation terminology was conducted in 2015. The realization of this procurement is planned for 2016.
BSO.07.05.03	Establish a system to monitor the continuous education and training	The preparation of procedure for monitoring the continuous education and training of the employees started in 2015, and its implementation is planned for 2016.

## 6.1 Fluctuations and Average Number of Employees in 2015

The average number of 885 employees in 2015 was slightly below the planned number.

**Table 12.** Planned and actual number of employees in 2015

Month	Planned number of employees	Actual number of employees
January	875	881
February	879	882
March	885	882
April	890	882
May	891	883
June	894	886
July	895	887
August	895	886
September	893	885
October	894	885
November	895	888
December	899	888
<b>Average in 2015</b>	<b>890</b>	<b>885</b>

**Table 13.** Fluctuations of employees in 2015 by month

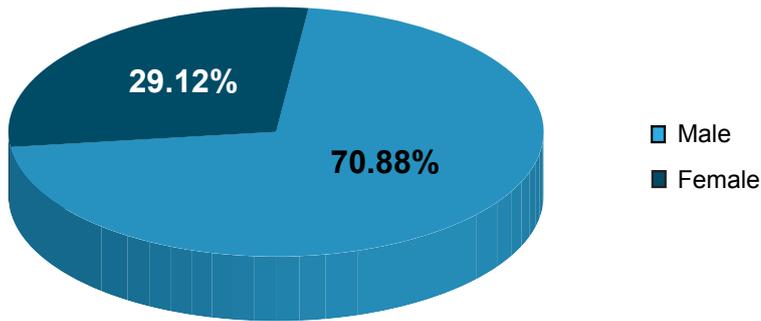
Fluctuations	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Укупно
Inflow (+)	9	2	2	0	4	4	2	0	2	1	3	1	<b>30</b>
Outflow (-)	0	1	2	0	3	1	1	1	3	1	0	0	<b>13</b>



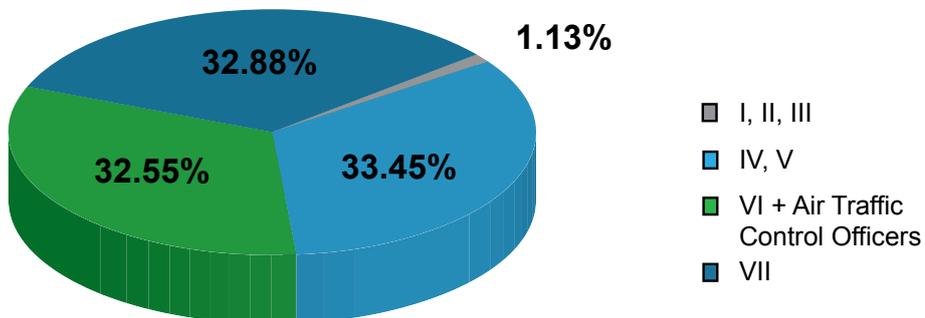
## 6.2 Employee Structure

The following figures show the employee structure at the end of 2015, according to gender, qualification groups and age.

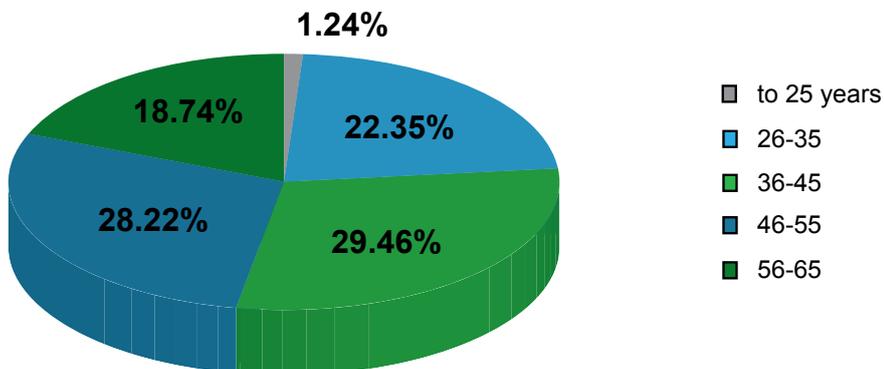
**Figure 14.** Employee structure by gender



**Figure 15.** Employee structure by qualification groups



**Figure 16.** Employee structure by age



## Additional Services

### 7.1 Calibration of the Ground Based Radio Navigation Aids from the Air

Thanks to adequate equipment and competent human resources, SMATSA Ilc is able to provide services of calibration of ground based radio navigation aids from the air, check the flight procedures and provide testing services related to the choice of location for setting up a new ground based radio navigation aids. For this purpose, the modern aircraft Hawker Beechcraft King Air 350 is used, with built-in calibration equipment (AD-AFIS-260), which SMATSA Ilc uses for its own needs, but also provides services to external users.

Provision of services is carried out in accordance with the requirements and recommendations that have been defined in the documents of the International Civil Aviation Organisation - ICAO - Annex 10, Annex 14 and Doc 8071.

Regular and non-scheduled calibrations on the basis of concluded contracts with Croatia Control Ltd, Slovenia Control, HungaroControl, Budapest Airport, LFV- Sweden Air Traffic Control and Agency for the Provision of Air Navigation Services in Bosnia and Herzegovina (BHANSA) were carried out during 2015.

In order to keep pace with modern trends in this field, in March 2015, the representatives of SMATSA Ilc participated in the 43rd meeting of the International Committee for Airspace Standards and Calibration (ICASC) in Toulouse, France, where the legislation, technical requirements and current status were discussed. At the 44th meeting of ICASC, held in Belgrade from 3rd to 5th November, among other things, preparations were made for the organisation of IFIS (International Flight Inspection Symposium), which will be held in Belgrade next year.

Explanation of a degree of realization of the goals set for 2015 within the provision of services of calibration of ground based radio navigation aids is shown in the following table.

**Table 14.** Realization of planned activities in 2015 within the calibration of ground based radio navigation aids

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 03.01.01	Engage in keeping the current number of calibration of ground based radio navigation aids from the air users	Degree of realization is reduced because of not obtaining an international tender for the provision of calibration services for a period of two years in Macedonia. A number of other users of the services remained unchanged. During the year, the service to customer in Sweden was provided several times.

## 7.2 ANS Personnel Training Centre

SMATSA Ilc ANS Personnel Training Centre is certified centre engaged in training and advancement of air traffic control officers, CNS personnel and aeronautical MET personnel. Training programmes and plans are harmonised with the requirements of ESARR, national and international regulations, as well as with ICAO standards.

SMATSA Ilc Training Centre, besides the training for its own needs, provides training for external users, both organisations and individuals. In this regard, the concept of training of self-funding ATCO classes has been introduced.

A new 2D/3D simulator was purchased in 2015, which further raised the quality and efficiency in the provision of training services in the Training Centre. The training of candidates within the initial, development and continuation training of air traffic controllers will be conducted on the simulator.

The following table shows the most important trainings that were completed in 2015 in accordance with the Training Plan in ANS Personnel Training Centre.

**Table 15.** Realization of planned activities in 2015 within the ANS Personnel Training Centre

Title of the training	Number of planned candidates	Number of trained candidates
Basic Training	25	25
Rating Training ADI	15	15
Rating Training APP	3	3
Rating Endorsement Training TCL	12	12
Refresher training OJT instructors and simulator instructors	9	9





### 7.3 SMATSA Aviation Academy

In SMATSA Aviation Academy, in 2015, the training was attended by 135 candidates in various stages of training. From the beginning of the year, 42 candidates enrolled: 15 in March and 23 in September in ATP(A) Integrated training and 4 candidates in FI(A) training.

During the year the training was finished by the total of 33 candidates, 22 of whom completed the most demanding training ATP(A).

In order to achieve the development goals and improve the quality of existing trainings, during 2015 contacts have been made with the educational institutions of higher education. The cooperation with the Faculty of Transport and Traffic Engineering, University of Belgrade, as the most reputable institution, was realized, and the analysis of compatibility of the curricula is performed with it, in order to define a new course "Pilot-engineer".

Also, during 2015, a substantial effort was made to improve the conditions and implementation of training, i.e. to update and revitalize the infrastructure. The contract on the public procurement of maintenance services for ALSIM simulator was concluded with simulator manufacturer ALSIM SIMULATEURS SARL, France, which ensures the highest possible level of maintenance of the flight simulator FNPT II.

SMATSA Aviation Academy also provides the services of aircraft maintenance. In this regard, the contracts for the provision of services with companies from Greece, Serbia and Macedonia were concluded during 2015, and for some of them SMATSA Aviation Academy provides the services of aircraft storage.

**Table 16.** Realization of planned activities in 2015 within the SMATSA Aviation Academy

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 03.02.01	To carry out a necessary analysis in order to make a decision to separate SMATSA Aviation Academy as an independent entity from SMATSA Ilc system	Transfer of activities into the next year.

## Consultations with Users of Services

SMATSA Ilc achieves its business goals while respecting the requirements of users of air navigation services, as well as users of additional services it provides. Among users of SMATSA Ilc services are airlines and operators (civil and military) within the provision of ANS services, airports and air traffic controls within the service of calibration of ground based radio navigation aids, individuals and groups in the context of ANS personnel and pilot straining, as well as companies within the aircraft maintenance services.

In addition to consultations with individual service users, SMATSA Ilc cooperates with international associations and organisations in the field of air transport (EUROCONTROL, CRCO, IATA, ICAO, EASA, CANSO, ICASC etc.). Through participation in working groups, conferences and meetings, SMATSA

Ilc consults with its service users, with the aim of constant improvement of its services.

In an effort to become a regional leader in the provision of air navigation, calibration and training of aviation personnel services, SMATSA Ilc is implementing a number of activities aimed at improving the cooperation with service users and relevant organisations in the sphere of aviation.

During 2015, the activities were carried out, within the implementation of basic projects, in order to improve the cooperation with the service users. The degree of implementation of the activities in relation to the plan established by the Annual Plan for the year of 2015 is presented in Table 17.

**Table 17.** Realization of planned activities within the improvement of the cooperation with relevant organisations in the sphere of aviation and users of air navigation services in 2015

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 02.01.01	Improve the cooperation through establishment of direct, regular consultations and contacts with the airlines which are the biggest users of air navigation services	In order to improve the cooperation with service users, i.e. airlines, at the end of 2015 an analysis of SMATSA "Top 100 users" was performed, published by EUROCONTROL, in order to establish a regular communication in the future.
BSO 02.01.02	Improve the cooperation through establishment of direct, regular consultations and contacts (meetings and participation in working groups) with other users of air navigation services	In order to improve the cooperation with service users, at the end of 2015, preparatory activities were conducted for the implementation of the users of air navigation services survey.

**Table 17.** Realization of planned activities within the improvement of the cooperation with relevant organisations in the sphere of aviation and users of air navigation services in 2015

Basic project identification (BSO)	Basic project title	Realization of planned activities
BSO 02.02.01	Improve and maintain the cooperation with the Ministries of Serbia and Montenegro who are responsible for the adoption of business plans	The basic project was cancelled because it involves the activities that represent a constant annual activity.
BSO 02.02.02	Improve the cooperation with the Civil Aviation Directorate of the Republic of Serbia and the Civil Aviation Agency of Montenegro	The basic project was cancelled because it involves the activities that represent a constant annual activity.
BSO 02.02.03	Proactively participate in the working groups, conferences and meetings with relevant organisations and groups, where the regulations, policies or strategies are made, that may affect the operation of SMATSA Ilc	During 2015 SMATSA Ilc representatives participated in numerous working groups, conferences and meetings with relevant organisations in order to improve operations in all fields.
BSO 02.02.04	Establish the "Runway Safety Team" for AD Nikola Tesla Beograd	"Runway Safety Team" for AD Nikola Tesla Beograd is established on 14/05/2015.

The best indicators of services quality provided by SMATSA Ilc are the results of customer satisfaction questionnaire, which are conducted annually. The results of tests conducted in 2015 showed that SMATSA Ilc meets the requirements of users in terms of the level and quality of all provided services:

1. Reports from RND SG and NM EUROCONTROL meeting indicate that the airlines are satisfied with the level and quality of ATM services provided by SMATSA Ilc. Without mentioning SMATSA Ilc in the report that is dedicated to delays and unfulfilled user expectations, NM EUROCONTROL highlights the importance of implementing the FRA concept.
2. In 2015 there were no objections of users of CNS services provided by SMATSA Ilc.
3. Analysis of satisfaction of MET service users through a questionnaire reflects the satisfaction of the customers with provided MET services.
4. By analyzing the AIS service customer satisfaction questionnaire it was concluded, that the users rated the provision of aeronautical information services as excellent. Out of 11 completed questionnaires received in 2015, 10 questionnaires were with an excellent grade, and one with a good grade.

5. On the basis of oral consultation with users of calibration of ground based radio navigation aids services, it was concluded that there is no need to conduct a written customer satisfaction survey at the end of the year. Based on interviews, it was estimated that the average rate of users remained unchanged compared to last year and it amounted to 4.93 from a maximum of 5:00.

6. Change in the status of the procedure, which requires the implementation of survey for the evaluation of training in the ANS Personnel Training Centre made it possible for the users satisfaction score for 2015 to be determined on the basis of the fact that there were no objections of the trainees.

7. The results of the survey conducted in 2015 on a sample of 30 candidates attending training for pilots are presented in the table.

8. Analysis of user satisfaction with the service of aircraft maintenance is carried out by filling in the appropriate form. Service users rated the services of MO in 2015 as «excellent».

**Table 18.** Satisfaction of pilot trainees

Field	dissatisfied	neutral	satisfied	very satisfied
Knowledge before coming to the Academy	10%	43%	33%	13%
Knowledge after completion of the Academy	0%	3%	43%	53%
Theory instructors	3%	21%	38%	38%
Teaching aids and teaching resources	3%	33%	40%	23%
Books	3%	17%	60%	20%
Acquired flying skills	0%	3%	33%	63%
Flying instructors	0%	6%	17%	77%
Flying training organisation	6%	27%	40%	27%
Daily organisation	3%	20%	67%	10%
Briefings and debriefings	0%	7%	60%	33%
General assessment of the overall training	0%	3%	70%	27%



# Financial Statements

## 9.1 Income Statement

**Table 19.** 2015 Income Statement, in 000 RSD

ITEM	AOP	Amount Current year	Amount Previous year
REVENUE FROM REGULAR OPERATIONS			
A. OPERATING INCOME (1002 + 1009 + 1016 + 1017)	1001	10,001,482	10,103,295
I. SALES OF MERCHANDISE (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002	0	0
1. Sales of merchandise to parent companies and subsidiaries - domestic	1003		
2. Sales of merchandise to parent companies and subsidiaries - foreign	1004		
3. Sales of merchandise to other associated legal entities - domestic	1005		
4. Sales of merchandise to other associated legal entities - foreign	1006		
5. Sales of merchandise - domestic	1007		
6. Sales of merchandise - foreign	1008		
II. SALES OF GOODS AND SERVICES RENDERED			
(1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009	9,586,995	9,792,091
1. Sales of finished goods and services rendered to parent companies and subsidiaries - domestic	1010		
2. Sales of finished goods and services rendered to parent companies and subsidiaries - foreign	1011		
3. Sales of finished goods and services rendered to other associated legal entities - domestic	1012		
4. Sales of finished goods and services rendered to other associated legal entities - foreign	1013		
5. Sales of finished goods and services rendered - domestic	1014	397,878	356,762
6. Sales of finished goods and services rendered - foreign	1015	9,189,117	9,435,329
III. REVENUES FROM PREMIUMS, SUBVENTIONS, GRANTS ETC.	1016	585	1,352
IV. OTHER OPERATING INCOME	1017	413,902	309,852

**Table 19. 2015 Income Statement, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
EXPENSES FROM REGULAR OPERATIONS			
B. OPERATING EXPENSES	1018	8,947,731	8,325,929
(1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028 + 1029) ≥ 0			
I. PURCHASE COST OF GOODS SOLD	1019		
II. INCOME FROM ACTIVATING OWN PRODUCTS AND GOODS	1020		
III INCREASE IN VALUE OF INVENTORIES OF WORK IN PROGRESS AND FINISHED GOODS AND UNFINISHED SERVICES	1021		
IV DECREASE IN VALUE OF INVENTORIES OF WORK IN PROGRESS AND FINISHED GOODS AND UNFINISHED SERVICES	1022		
V. MATERIAL COSTS	1023	91,602	61,673
VI. COSTS OF FUEL AND ENERGY	1024	144,983	138,348
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	5,560,053	5,183,503
VIII. COST OF PRODUCTION SERVICES	1026	1,114,143	1,036,732
IX. DEPRECIATION COSTS	1027	1,196,698	1,117,340
X. LONG-TERM PROVISION COSTS	1028	108,595	120,012
XI. INTANGIBLE COSTS	1029	731,657	668,321
C. OPERATING PROFIT (1001 – 1018) ≥ 0	1030	1,053,751	1,777,366
D. OPERATING LOSS (1018 – 1001) ≥ 0	1031		
E. FINANCIAL INCOME (1033 + 1038 + 1039)	1032	110,335	355,050
I. FINANCIAL REVENUES FROM ASSOCIATED LEGAL ENTITIES AND OTHER FINANCIAL REVENUES (1034 + 1035 + 1036 + 1037)	1033	0	0
1. Financial revenues from parent and dependent legal entities	1034		
2. Financial revenues from other related legal entities	1035		
3. Revenues from participation in profit of associated legal entities and joint ventures	1036		
4. Other financial revenues	1037		
II. INTEREST RECEIVABLES	1038	22,327	23,694
III POSITIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1039	88,008	331,356

**Table 19. 2015 Income Statement, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
F. FINANCIAL EXPENSES (1041 + 1046 + 1047)	1040	186,485	538,926
I FINANCIAL EXPENSES INCURRED WITH ASSOCIATED LEGAL ENTITIES AND OTHER FINANCIAL EXPENSES (1042 + 1043 + 1044 + 1045)	1041	0	0
1. Financial expenses incurred with parent and dependent legal entities	1042		
2. Financial expenses incurred with other related legal entities	1043		
3. Expenses from participation in loss of associated legal entities and joint ventures	1044		
4. Other financial expenses	1045		
II. INTEREST EXPENSES (TO THIRD PARTIES)	1046	114,484	142,018
III. NEGATIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1047	72,001	396,908
G. PROFIT FROM FINANCING (1032 - 1040)	1048		
H. LOSS FROM FINANCING (1040 - 1032)	1049	76,150	183,876
I. INCOME ON OTHER PROPERTY VALUE RECONCILIATION SHOWN AT FAIR VALUE IN THE INCOME STATEMENT	1050	150,179	723,462
J. EXPENSES ON OTHER PROPERTY VALUE RECONCILIATION SHOWN AT FAIR VALUE IN THE INCOME STATEMENT	1051	165,842	301,955
K. OTHER INCOMES	1052	54,272	36,718
L. OTHER EXPENSES	1053	621,514	243,370
M. PROFIT FROM REGULAR BUSINESS OPERATIONS BEFORE TAX (1030 - 1031 + 1048 - 1049 + 1050 - 1051 + 1052 - 1053)	1054	394,696	1,808,345
N. LOSSES FROM REGULAR BUSINESS OPERATIONS BEFORE TAX (1031 - 1030 + 1049 - 1048 + 1051 - 1050 + 1053 - 1052)	1055		
O. NET PROFIT FROM BREAK OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1056		
P. NET LOSS FROM BREAK OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1057		
Q. PROFIT BEFORE TAX (1054 - 1055 + 1056 - 1057)	1058	394,696	1,808,345
R. LOSSES BEFORE TAX (1055 - 1054 + 1057 - 1056)	1059		

**Table 19.** 2015 Income Statement, in 000 RSD

ITEM	AOP	Amount Current year	Amount Previous year
S. TAX ON PROFIT			
I. TAX EXPENSES OF THE PERIOD	1060	197,130	347,180
II. DEFERRED TAX EXPENSES OF A PERIOD	1061		37,151
III. DEFERRED TAX REVENUE OF A PERIOD	1062	22,852	
T. PERSONAL EARNINGS PAID TO EMPLOYER	1063		
U. NET PROFIT			
(1058 – 1059 – 1060 – 1061 + 1062)	1064	220,418	1,424,014
V. NET LOSS			
(1059 – 1058 + 1060 + 1061 – 1062)	1065		
I. NET PROFIT OF MINORITY SHAREHOLDERS	1066		
II. NET PROFIT OF MAJORITY OWNER	1067		
III. EARNINGS PER SHARE			
1. Basic earnings per share	1068		
2. Reduced (diluted) earnings per share	1069		



## 9.2 Balance Sheet

Table 20. 2015 Assets, in 000 RSD			
ITEM	AOP	Amount Current year	Amount Previous year
<b>ASSETS</b>			
A. SUBSCRIBED CAPITAL UNPAID	0001		
B. FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002	<b>12,329,351</b>	<b>13,822,829</b>
I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003	<b>27,775</b>	<b>25,275</b>
1. Investments in development	0004		
2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005	25,484	24,199
3. Goodwill	0006		
4. Other intangible assets	0007		
5. Intangible assets in progress	0008	2,291	1,076
6. Prepayments for intangible assets	0009		
II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010	<b>12,299,727</b>	<b>13,795,705</b>
1. Land	0011	548,314	548,314
2. Buildings	0012	5,314,671	5,405,273
3. Plant and equipment	0013	5,996,681	7,262,490
4. Investment property	0014		
5. Other property, plant and equipment	0015	4,284	4,509
6. Property, plant and equipment in progress	0016	357,356	445,438
7. Investments in other entity's property, plant and equipment	0017	2,240	3,308
8. Prepayments for property, plant and equipment	0018	76,181	126,373
III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	0019	<b>1,849</b>	<b>1,849</b>
1. Forests and plantations	0020	1,849	1,849
2. Livestock	0021		
3. Biological assets in progress	0022		
4. Prepayments for biological assets	0023		
IV LONG TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024	<b>0</b>	<b>0</b>
1. Investments in affiliated companies	0025		
2. Investments in associated companies and joint ventures	0026		
3. Investments in other third parties companies and other securities	0027		

**Table 20. 2015 Assets, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
4. Long term investments in parent and affiliated companies	0028		
5. Long term investments in other third parties companies	0029		
6. Long term investments, domestic	0030		
7. Long term investments, foreign countries	0031		
8. Securities held to maturity	0032		
9. Other long term financial investments	0033		
V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034	<b>0</b>	<b>0</b>
1. Receivables from parent company and affiliated companies	0035		
2. Receivables from other third parties companies	0036		
3. Receivables from credit sales	0037		
4. Receivables from financial leasing contracts	0038		
5. Receivables from pledged assets	0039		
6. Bad debts and uncollectible claims	0040		
7. Other long term receivables	0041		
C. DEFERRED TAX ASSETS	0042		
D. CURRENT ASSETS	0043	<b>5,105,927</b>	<b>4,681,223</b>
(0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)			
I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044	<b>146,275</b>	<b>162,004</b>
1. Material, spare parts, tools and small inventories	0045	138,060	161,172
2. Work and services in progress	0046		
3. Finished products	0047		
4. Goods	0048		
5. Fixed assets for sale	0049		
6. Prepayments for inventories and services	0050	8,215	832
II RECEIVABLES FROM SALES	0051	<b>1,001,567</b>	<b>1,559,225</b>
(0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)			
1. Domestic trade receivables - parent company and subsidiaries	0052		
2. Foreign trade receivables - parent company and subsidiaries	0053		
3. Domestic trade receivables - other affiliated companies	0054		
4. Foreign trade receivables - other affiliated companies	0055		
5. Domestic trade receivables	0056	31,614	383,187
6. Foreign trade receivables	0057	969,953	1,176,038
7. Other receivables from sales	0058		
III RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059		

**Table 20. 2015 Assets, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
IV OTHER RECEIVABLES	0060	203,083	41,235
V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE IN THE INCOME STATEMENT	0061		
VI SHORT TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	0062	0	0
1. Short term loans and investments - parent company and subsidiaries	0063		
2. Short term loans and investments - other affiliated companies	0064		
3. Short term credits and loans, domestic	0065		
4. Short term credits and loans, foreign countries	0066		
5. Other short term financial investments	0067		
VII. CASH AND CASH EQUIVALENTS	0068	3,638,462	2,857,298
VIII. VALUE ADDED TAX	0069	68,887	32,699
IX. PREPAYMENTS AND ACCRUED INCOME	0070	47,653	28,762
<b>E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)</b>	<b>0071</b>	<b>17,435,278</b>	<b>18,504,052</b>
F. OFF-BALANCE SHEET ASSET	0072	204,934	136,253



**Table 21. 2015 Liabilities, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
A. EQUITY (0402 + 0411 – 0412 + 0413 + 0414 + 0415 – 0416 + 0417 + 0420 – 0421) ≥ 0 = (0071 – 0424 – 0441 – 0442)	401	<b>12,226,886</b>	<b>11,993,592</b>
I. INITIAL CAPITAL	402	<b>1,873,820</b>	<b>1,873,820</b>
(0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)			
1. Share capital	403		
2. Stakes in limited liability companies	404	355	355
3. Stakes	405		
4. State owned capital	406	1,862,848	1,862,848
5. Socially owned capital	407		
6. Cooperative stakes	408		
7. Issuing premiums	409		
8. Other initial capital	410	10,617	10,617
II. SUBSCRIBED CAPITAL UNPAID	411		
III. SHARES BUYBACK	412		
IV. RESERVES	413	507,044	507,044
V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES ASSETS, PROPERTIES, PLANT AND EQUIPMENT	414	3,179,315	3,384,470
VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	415	13,132	17,965
VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	416		
VIII. RETAINED EARNINGS	417	<b>6,653,575</b>	<b>6,210,293</b>
(0418 + 0419)			
1. Retained earnings from previous years	418	6,210,293	4,778,395
2. Retained earnings from current year	419	443,282	1,431,898
IX. NON-CONTROLLING INTEREST	420		
X. LOSSES (0422 + 0423)	421	<b>0</b>	<b>0</b>
1. Losses from previous years	422		
2. Losses from current year	423		
B. LONG TERM PROVISIONS AND LIABILITIES (0425 + 0432)	424	<b>2,943,325</b>	<b>4,033,860</b>
I. LONG TERM PROVISIONS	425	<b>692,151</b>	<b>625,134</b>
(0426 + 0427 + 0428 + 0429 + 0430 + 0431)			
1. Provisions for warranty period costs	426		
2. Provisions for recovery of natural resources	427		
3. Provisions for restructuring costs	428		
4. Provisions for wages and other employee benefits	429	660,768	602,893
5. Provisions for legal expenses	430	31,383	22,241

**Table 21. 2015 Liabilities, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
6. Other long term provisions	431		
II LONG TERM LIABILITIES			
(0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	432	2,251,174	3,408,726
1. Liabilities convertible into capital	433		
2. Liabilities to parent company and subsidiaries	434		
3. Liabilities to other affiliated companies	435		
4. Liabilities for issued securities for more than one year	436		
5. Long term credits and loans, domestic	437		
6. Long term credits and loans, foreign countries	438	2,251,174	3,408,726
7. Long term liabilities from financial leasing	439		
8. Other long term liabilities	440		
C. DEFERRED TAX LIABILITIES	441	565,197	610,908
D. SHORT TERM LIABILITIES			
(0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	442	<b>1,699,870</b>	<b>1,865,692</b>
I. SHORT TERM FINANCIAL LIABILITIES			
(0444 + 0445 + 0446 + 0447 + 0448 + 0449)	443	<b>1,201,618</b>	<b>1,140,354</b>
1. Short term loans from parent company and subsidiaries	444		
2. Short term loans from other affiliated companies	445		
3. Short term credits and loans, domestic	446		
4. Short term credits and loans, foreign countries	447		
5. Liabilities from fixed assets and assets from discontinued operations available for sale	448		
6. Other short term financial liabilities	449	1,201,618	1,140,354
II. RECEIVED ADVANCES, DEPOSITS AND BONDS	450	113,980	140,865
III. OPERATING LIABILITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	451	<b>315,185</b>	<b>296,155</b>
1. Suppliers - parent company and subsidiaries, local	452		
2. Suppliers - parent company and subsidiaries, foreign countries	453		
3. Suppliers - other affiliated companies, local	454		
4. Suppliers - other affiliated companies, foreign countries	455		
5. Suppliers, local	456	116,345	183,909
6. Suppliers, abroad	457	198,725	112,131
7. Other operating liabilities	458	115	115
IV. OTHER SHORT TERM LIABILITIES	459	22,742	119,374
V. LIABILITIES FOR VALUE ADDED TAX	460		
VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE	461	30,845	166,321

**Table 21. 2015 Liabilities, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
VII. ACCRUED EXPENSES AND DEFERRED INCOME	462	15,500	2,623
E. LOSSES EXCEEDING CAPITAL (0412 + 0416 + 0421 – 0420 – 0417 – 0415 – 0414 – 0413 – 0411 – 0402) ≥ 0 = (0441 + 0424 + 0442 – 0071) ≥ 0	463		
F. TOTAL LIABILITIES (0424 + 0442 + 0441 + 0401 – 0463) ≥ 0	464	<b>17,435,278</b>	<b>18,504,052</b>
G. OFF-BALANCE LIABILITIES	465	204,934	136,253

### 9.3 Cash Flow Statement

**Table 22. 2015 Cash Flow Statement, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
I Cash inflows from operating activities (1-3)	3001	10,923,495	10,664,579
1. Sales and received advances	3002	10,093,928	10,001,136
2. Interest received from operating activities	3003	22,327	23,694
3. Other inflows from ordinary operations	3004	807,240	639,749
II. Cash outflows from operating activities (1-5)	3005	9,317,064	8,098,993
1. Payments to suppliers and advance payments	3006	2,843,732	2,322,547
2. Salaries, wages and other personal expenses	3007	5,769,664	5,284,427
3. Interests paid	3008	217,111	142,018
4. Income tax	3009	486,557	350,001
5. Payments of other public revenues	3010		
III. Net cash inflow from operating activities (I - II)	3011	1,606,431	2,565,586
IV. Net cash outflow from operating activities (II - I)	3012		
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
I. Cash inflows from investing activities (1-5)	3013	1,094,757	-
1. Sale of shares and stocks (net inflows)	3014		
2. Sale of intangible assets, properties, plant, equipment and biological assets	3015	1,094,757	
3. Other financial investments (net inflows)	3016		
4. Interests received from investing activities	3017		
5. Dividends received	3018		
II. Cash outflows from investing activities (1 to 3)	3019	809,609	783,426
1. Purchase of shares and stocks (net outflows)	3020		

**Table 22. 2015 Cash Flow Statement, in 000 RSD**

ITEM	AOP	Amount Current year	Amount Previous year
2. Purchase of intangible assets, properties, plant, equipment and biological assets	3021	809,609	783,426
3. Other financial investments (net outflows)	3022		
III. Net cash inflow from investing activities (I-II)	3023	285,148	
IV. Net cash outflow from investing activities (II-I)	3024		783,426
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
I. Cash inflows from financing activities (1 to 5)	3025	-	-
1. Initial capital increase	3026		
2. Long term loans (net inflows)	3027		
3. Short term loans (net inflows)	3028		
4. Other long term liabilities	3029		
5. Other short term liabilities	3030		
II. Cash outflows from financing activities (1 to 6)	3031	1,113,317	992,551
1. Repurchase of own shares and stocks	3032		
2. Long term loans (outflows)	3033	1,113,317	992,551
3. Short term loans (outflows)	3034		
4. Other liabilities (outflows)	3035		
5. Financial leasing	3036		
6. Dividends paid	3037		
III. Net cash inflow from financing activities (I -II)	3038		
IV. Net cash outflow from financing activities (II-I)	3039	1,113,317	992,551
<b>D. TOTAL CASH INFLOW (3001 + 3013 + 3025)</b>	3040	12,018,252	10,664,579
<b>E. TOTAL CASH OUTFLOW (3005 + 3019 + 3031)</b>	3041	11,239,990	9,874,970
<b>F. NET CASH INFLOW (3040 – 3041)</b>	3042	778,262	789,609
<b>G. NET CASH OUTFLOW (3041 – 3040)</b>	3043		
H. CASH BALANCE AT BEGINNING OF ACCOUNTING PERIOD	3044	2,857,298	1,927,235
I. FOREIGN EXCHANGE DIFFERENCE FROM CONVERSION OF CASH	3045	10,233	202,310
J. FOREIGN EXCHANGE LOSSES FROM CONVERSION OF CASH	3046	7,331	61,856
<b>K. CASH BALANCE AT THE END OF ACCOUNTING PERIOD</b>			
(3042 – 3043 + 3044 + 3045 – 3046)	3047	3,638,462	2,857,298

## 9.4 Notes to Financial Statements

### 9.4.1 Basis for Preparation of Financial Statements

Financial statements for 2015 were prepared in a manner and in accordance with the legal regulations.

Legal entities and entrepreneurs in the Republic of Serbia have the obligation to keep business records, recognise and evaluate assets and liabilities, revenues and expenses, and to prepare, present, submit and disclose financial statements, in accordance with the Accounting and Auditing Law ("Official Gazette of the RS", No. 62/2013), as well as in accordance with other applicable bylaws. SMATSA Ilc, being a large legal entity, is required to apply International Financial Reporting Standards (IFRS), which, in terms of the mentioned law, comprise: Framework for Preparation and Presentation of Financial Statements ("Framework"), International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and the related Interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), additional amendments to those standards and the related Interpretations, approved by the International Accounting Standards Board ("Board"), which were translated and published by the ministry responsible for financial affairs.

By virtue of the Decision of the Ministry, dated 13th March, 2014, published in the Official Gazette of the RS No. 35, dated 27th March 2014, (hereinafter "The Decision on Adoption of the Translations") the translations of the main texts of the IAS and the IFRS, the Conceptual Framework for Financial Reporting ("Conceptual Framework"), adopted by the Board, and of the related IFRIC Interpretations, were approved and published. The translations mentioned above, published in the Decision on Adoption of the Translations, do not include basis for closing, illustrative examples, guidelines, comments, opposing opinions, elaborated examples, or any other supplementary explanatory material which may be adopted in connection with the standards, or the interpretations, except if not explicitly being stated that such material is a constituent part of the standard, or the interpretation. On the basis of the Decision on the Adoption of the Translations, the Conceptual Framework, IAS, IFRS, IFRIC and the related Interpretations, which were translated, have been applied since the preparation of the financial statements as of 31st December, 2014. IFRSs and Interpretations of the Standards amended or issued after this date have not been translated and published, and therefore they are not applied in the preparation of these financial statements.

However, until the date of the preparation of the presented financial statements, not all amendments of the IAS/IFRS and IFRIC Interpretations, in force since 1st January, 2014, had been translated. Apart from that, certain legal acts and bylaws prescribe accounting procedures, evaluations and disclosing methods which, in some cases, do not comply with the requirements of the IAS/IFRS and IFRIC Interpretations.

Apart from this, the attached financial statements deviate from IAS and IFRS in the following:

- The "Off-balance sheet equity and liabilities" are shown in the balance sheet form. According to IFRS definition, the hereto items represent neither equity nor liabilities.
- SMATSA Ilc prepared these financial statements in the form prescribed by the Ministry of Finance, which is not in compliance with the IAS 1 requirements - "Financial Statements Presentation".

Financial Statements have been prepared under historical cost principle, modified by revaluation of property, plant and equipment and financial assets and liabilities, where effects of changes in fair values are disclosed in the income statement.

SMATSA Ilc has prepared these Financial Statements by applying accepted accounting policies.

SMATSA Ilc financial statements are shown in thousands of Dinars (RSD) pursuant to the Accounting and Auditing Law. Dinar represents the official reporting currency in the Republic of Serbia.

The preparation of Financial Statements for 2015 of Air Traffic Control of Serbia and Montenegro SMATSA Ilc Belgrade, for the accounting period ending on 31st December, 2015, was carried out, in all materially significant respects, in accordance with the Accounting and Auditing Law ("The Official Gazette of the RS", No. 62/2013) which implies using International Accounting Standards (IAS), as well as International Financial Reporting Standards (IFRS), and in accordance with the regulations issued by the Ministry of Finance of the Republic of Serbia.

The Decision made by the Ministry of Finance of the Republic of Serbia (number 401-00-380/2010 from 25th October, 2010) determined and published

the Framework and translation of the IAS, and they were in effect on 31st December, 2014, on which the Accounting and Auditing Law is based on. SMATSA llc management estimates the impact of changes in IAS, newly issued IFRS, and the Interpretations of Standards on consolidated financial statements. Amendments to existing IASs, newly issued IFRSs and Interpretations of Standards, the replacement of current IASs with new ones, which went into effect on 1st January, 2014, as well as adoption of new interpretations which went in effect during 2014, have not significantly changed the SMATSA llc accounting policies, nor had any significant material influence on the financial statements in the period of their initial adoption. Since the majority of these changes are not applicable to the SMATSA llc operations, SMATSA llc management does not express any explicit or unreserved statement on the harmonisation of the Financial Statements with IFRS, applied in the period disclosed in submitted Financial Statements.

Audit of SMATSA llc Financial Statements for 2014 was carried out by "Moore Stephens Auditing and Accounting" Ltd., the company for auditing, accounting and consulting, Studentski trg 4/V, Belgrade. According to the Independent Auditor's Report, the Financial Statements give, in all material respects, true and fair view of the financial position of SMATSA llc as

at 31/12/2014, as well as the result of its business operations and its cash flows for the year then ended, all in accordance with the accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the Notes to Financial Statements.

In accordance with the provisions of Article 34 of the Law on Accounting and Auditing, the Financial Statements for 2014, together with the "Moore Stephens Auditing and Accounting" Ltd. Independent Auditor's Report, SMATSA llc Assembly Decision on the Adoption of the Financial Statements for 2014, SMATSA llc Assembly Decision on the Distribution of the Profit from the Retained Earnings and the Annual Report for 2014, were submitted to the Serbian Business Registers Agency for publication on the website of the Register of Financial Statements.

The preparation of the Financial Statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires the Management to exercise its judgment in applying the SMATSA llc accounting policies.

Errors from the previous years are not reflected in the Financial Statements for 2015, but they were recorded in groups 57 and 67 respectively in the Financial Statements for 2015.

## **9.4.2 Summary of Significant Accounting Policies**

### **9.4.2.1 Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance:

- held for use in the production or supply of goods or services, for rental to others or for administrative purposes;
- controlled by SMATSA llc as a result of past events and
- from which the future economic benefits are expected to flow to the entity.

Intangible assets include: development investments, concessions, patents, licences and similar rights; other intangible assets; intangible assets in preparation and prepayments for intangible assets.

The acquisition of intangible assets during the year is recorded at cost value. The cost value comprises invoice value plus all dependent purchase costs and all costs of bringing the asset to its working condition

for its intended use. The cost price of internally generated intangible assets comprises direct costs and the associated indirect costs, pertaining to the particular asset.

Borrowing costs incurred until the time of the intangible asset being put into use, are capitalised, that is, are included in the cost value.

After the initial recognition, an intangible asset is carried at its cost value or at its cost price less the accumulated amortisation and accumulated impairment losses.

An intangible asset is recognised and is subject to amortisation if it meets the recognition criteria prescribed by the revised IAS 38, Intangible Assets, and has a useful life that exceeds the period of one year.

Any additional cost associated to an already recognised intangible asset, is credited to the presented amount of the asset, if the inflow of the future economic benefits is likely to be larger than the initially estimated rate of return of the asset.

SMATSA Ilc recognises that carrying value of an item of intangible asset will include the costs of replacing the part of such an item when that costs are incurred if the recognition criteria prescribed by the IAS 38 – "Intangible Assets", (Paragraph 21), are met.

Any other additional cost is recognised as the expense for the period when it was incurred.

If there are indicators suggesting that there has been a reduction in the value, the carrying value of intangible assets is calculated and, if it is determined that there has been a reduction, the value of the asset is reduced to its recoverable amount.

Gains or losses arising from writing off or disposal are calculated as the difference between the estimated net sales revenues and the presented amount of the asset, and are recognised as Revenues or Expenses in the Income Statement.

Impairment of intangible assets is recognised by reducing the value of investments while recognising the expenses in the Income Statement in accordance with IAS 36 – Impairment of Assets.

If there are indicators suggesting that there has been a reduction in value, carrying value of intangible assets is calculated and, if it is determined that there has been a reduction, the value of the asset is reduced to its recoverable amount.

The residual value of an intangible asset is assumed to be zero, unless:

- there is a commitment of a third party to purchase the asset at the end of its remaining useful life, or
- there is an active market for the asset, and the residual value can be determined by reference to that market, and it is probable that such a market will exist at the end of the useful life of the asset.

Intangible assets subject to amortisation are amortised using the straight-line method over the course of five years, except for assets whose life is determined by a contract, in which case they are written off within the terms specified in the contract. The amortisation of an intangible asset is calculated as of the beginning of the month following the month that the intangible asset was put into use. The basis of the amortisation calculation is the cost value less the accumulated amortisation and total loss due to impairment.

**Table 23.** Base amortisation rates for certain intangible assets

Item	Amortisation Rate
Licences	14.28-100
Licensed software	10-100
Project documentation	20

Amortisation rates pertaining to intangible assets can be altered and amended only upon an order in the written form issued by a competent department, with the approval given by the CNS Director and with the consent of the SMATSA Ilc CEO, as well as upon the accepted independent assessor's report.

Intangible assets or the right of use under a licensing agreement are accounted for in accordance with the IAS 38. Licensing agreement regulates the right of use which is being granted by the licensor and the licensee's obligations. The compensation that the licensee pays is regarded by the licensee as an intangible asset

(provided that the right which is the subject matter of the contract is used longer than one year).

Costs which can be directly attributed to software are capitalised as part of a software product. Other development costs which cannot meet the criteria are recognised as expenses when they arise.

An intangible asset is no longer presented in the balance sheet after its disposal or after the asset has permanently been taken out of service, and when no future economic benefits are expected from its disposal.

#### 9.4.2.2 *Property, Plant and Equipment*

Tangible assets are recognised as property, plant and equipment and are subject to depreciation if they meet the recognition criteria prescribed by the IAS 16 Property, Plant and Equipment, and have useful lives that exceed a period of one year. An item of property, plant and equipment that meets the fixed asset recognition criteria is initially measured at cost value or at cost price. Any additional cost associated to already recognised property, plant and equipment is credited to the presented amount of the asset if the inflow of the future economic benefits is likely to be larger than the initially estimated rate of return of the asset. Any other additional cost is recognised as expense for the period when it was incurred.

Additional costs of possibly significant value, which comprise mainly labour costs, costs of operating supplies and costs of minor spare parts, are presented as costs of current maintenance. Replacing of major spare parts, whose shelf lives are shorter than one year, is presented as maintenance cost, because such spare part does not meet the asset recognition criteria.

Considering the fact that the constituent parts of building structures may need to be replaced prior to the expiry of the lifetime of a building as a whole, Paragraph 13 of the revised IAS 16 allows the entity to recognise the asset which is replaced as a separate asset if it meets two basic

conditions prescribed by the Paragraph 7 of this standard (a) – it is probable that the future economic benefits associated with the asset will flow to the entity, and (b) – the cost value, or the cost price of the asset can be measured reliably. The recognition is done at the time when the replacement costs are incurred, while the carrying value of the parts which are replaced is derecognised, no matter whether the replaced part has been depreciated or not. If it is not appropriate to determine the carrying value of the replaced part, Paragraph 70 of the revised IAS 16 stipulates that the replacement costs can be used as the information on the amount of the costs of the replaced part at the time of its purchase or construction.

If the part which is replaced is not recorded as a separate item of asset, and has a life which is different from the life of an asset, and if the carrying value is determined by using the replacement method, the written-off value (of accrued depreciation) is determined by applying the rate used for depreciation of the asset comprising that part, and not by applying the rate arising from the life of the part which is replaced.

Property, plant and equipment are depreciated using the straight-line method, as of the date of the asset being made available for use.

The base depreciation rates for particular groups of property, plant and equipment are given in the following table:

Item	2015 Depreciation Rate	2014 Depreciation Rate
Buildings	0.24-50%	0.24-50%
Equipment	5.56-50%	5.56-50%
Vehicles	10-50%	16.67-50%
Computer equipment	14.28-50%	14.28-50%
Furniture	10-50%	10-50%
Other equipment	4-50%	5.56-50%
Aircraft	2.86-12.50%	2.86-12.50%
Investments in other entity's equipment	6.66-20%	6.66-20%

Calculation of depreciation for tax purposes is done in accordance with the Corporate Income Tax Law of the Republic of Serbia, and the Regulations on the Classification of Fixed Assets and the Method of Determining Depreciation for Tax Purposes, which results in deferred taxes.

Investments in other entity's capital assets for the purpose of performing business operations are

recognised and presented in a different account as capital assets provided their useful lives are longer than one year.

Investments in other entity's fixed assets are amortised based on their estimated utilisation lives.

Property, plant and equipment are not accounted into the balance sheet after their disposal or when the asset

is permanently withdrawn from use and when no further economic benefit is expected from its disposal.

Gains or losses arising from writing off or disposal of property, plant and equipment, are calculated as the difference between the estimated net sales revenues and the presented amount of the assets, and are recognised as Revenues or Expenses in the Income Statement.

When revalued assets are sold, the revaluation amount included in the revaluation reserve is transferred to retained earnings.

Property, plant and equipment which are withdrawn from active use and which are held for disposal, are presented in the amounts as presented on the date of the asset being withdrawn from active use.

On the date of issue of each balance sheet, SMATSA llc assesses whether there is any indication that the asset may have been impaired. If any such indication exists, SMATSA llc assesses the amount of the asset that can be recovered. If the recoverable amount of the asset is lower than its carrying value, the carrying value is reduced to recoverable amount and previously established revaluation reserves pertaining to that asset are consequently reduced. If no revaluation reserves pertaining to the asset whose value is reduced have been established, or if such reserves have been used for other purposes, impairment loss is recognized as the expense of the period.

If, on the balance sheet date, there are any indications that the previously recognised impairment loss does not exist or that it has been reduced, the assessment of the recoverable amount of that asset is made. The impairment loss recognised in the previous years is recognised as revenue, in case when the basic method of measuring property, plant and equipment is applied, that is as increase in revaluation reserve if the alternative method of evaluation of property, plant and equipment is applied, and the carrying value is increased to the recoverable amount.

The assessments of the fair value and the remaining value of the asset (as well as residual value) are performed by an authorised assessor, in accordance with the IAS 16 – Property, Plant and Equipment, with the assessment results being recorded under revenues or expenses.

Any additional cost associated to an already recognised item of property, plant and equipment, is credited to the presented amount of the asset, if it is likely that the inflow of the future economic benefits will be larger than the initially estimated rate of return of the asset and that

the cost value/cost price of the additional cost can be measured reliably.

#### 9.4.2.3 Tools and Accessories

It is mandatory that the tools and accessories with utilisation lives shorter than one year, are presented as current assets (as inventories), regardless of their cost value. These assets are not depreciated, but their total value is transferred to expenses when they are put into use.

Tools and accessories which are written off by calculation are recognised as fixed assets and are subject to depreciation if their useful lives are longer than one year.

Items of tools and accessories which do not meet these conditions are presented as current assets (inventories).

The individual value of tools and accessories of the same type which are combinedly used is calculated as the sum of the individual values of all tools and accessories of the same type.

#### 9.4.2.4 Spare Parts

Installed spare parts are recognized as fixed assets if their useful lives are longer than one year.

Such spare parts, upon being installed, increase the carrying amount of the assets that they have been installed in.

Spare parts which do not satisfy the conditions from Paragraph 1 of this Article, at the time of the installation, shall be presented as an operating cost.

#### 9.4.2.5 Inventories

Inventories are accounted for in accordance with the IAS 2 Inventories.

Inventories are assets in the form of materials or supplies to be consumed in the production process, or in the course of providing services.

Inventories include raw materials and consumables, which shall be used in the production process, or in the course of providing services.

Supplies of materials purchased from suppliers are measured at the cost value or net sale value, if it is lower.

The cost value or cost price of inventories comprises of all costs of a purchase, and other costs incurred by bringing the inventories to their present location and condition.

The costs of purchase of materials include purchase price, import duties and other taxes (except the taxes

that can subsequently be refunded to the entity by the tax authorities, such as VAT, which can be deducted as prior tax), transport charges, handling charges and other costs which can be directly attributed to the purchase of material. Reductions, discounts and other similar items are deducted when calculating purchase costs.

The assessment of the net sale value of the supplies of materials is made by a special committee established by SMATSA Ilc CEO.

The calculation of the output of supplies of materials (material used) is made by employing the weighted average cost method.

The weighted average cost is calculated upon every new input of material.

In case of operating in hyperinflationary environment, the value of the inventories is adjusted by applying a price index, in accordance with the IAS 29.

#### 9.4.2.6 Short-term Receivables and Investments

Short-term receivables comprise domestic and foreign trade receivables for the sale of goods and services rendered.

Short-term investments comprise loans, securities and other short-term investments whose date of maturity and/or sale is one year from the balance sheet date.

Short-term accounts receivables are measured at their original invoice value.

If the invoice value is denominated in a foreign currency, the value is calculated into the statement currency at the average exchange rate applicable on the date of the transaction.

Changes in the exchange rate from the transaction date to the receivables collection date are presented as exchange rate gains and losses and credited to revenues, or charged against expenses.

Receivables denominated in a foreign currency on the balance date are computed by applying the applicable middle exchange rate, and exchange rate differences are recognised as revenues or expenses of the period.

Indirect write-off and/or correction of value of the accounts receivable at the expense of the operating expenditures of the period, at the account of correction of value, is done for accounts receivable, in accordance with the statutory deadline applicable as of the invoice due date, with the estimate of collectibility of each individual account receivable. The decision on indirect write-off and/or correction of value of the accounts receivable, at the account of correction of value, upon the proposal made by the committee for record-

keeping of receivables and short-term investments, is made by SMATSA Ilc Supervisory Board. Direct write-off of receivables at the expense of the operating expenditure of the period is done if uncollectibility is certain and documented – the entity failed to collect the receivables by legal means, and the account receivable was previously included in the entity's revenues. The decision on direct write-off of the accounts receivables is made by SMATSA Ilc Supervisory Board, upon the proposal made by the committee for record-keeping of receivables and short-term investments and/or as per the annual report produced by EUROCONTROL. The calculation and collection of air traffic service provision charges in the airspace of the Republic of Serbia – Flight Information Region Belgrade (FIR Belgrade) are done in accordance with the current regulations and the set amount of air traffic service charge in the terminal control areas.

#### 9.4.2.7 Cash and Cash Equivalents

Cash equivalents and cash constitute part of the current (operating) assets of a legal entity, which are measured at nominal, i.e. fair value, in accordance with the IAS 39 - Financial Instruments: Recognition and Measurement, and other relevant standards (the IAS 32 - Financial Instruments: Presentation and the IAS 7 - Statement of Cash Flows).

Cash and cash equivalents comprise: cash in hand, demand deposits, other short-term highly liquid investments with an original maturity period of up to three months or shorter (cheques and bills received for collection, current investments in securities) and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowing liabilities, within current liabilities.

#### 9.4.2.8 Off-Balance Sheet Assets and Liabilities

Off-Balance sheet assets/liabilities comprise the records of the following: received guarantees, issued guarantees, counter guarantees and respective liabilities.

#### 9.4.2.9 Share Capital

Share capital originates from the incorporation based on the founder's stake in SMATSA Ilc. The founders of SMATSA Ilc are the Republic of Serbia (92%) and the State of Montenegro (8%). Share capital is initially stated in the amount of the estimated stake in SMATSA Ilc (it comprises both the capital paid in and the accounted unpaid capital). Changes in the share capital are carried out exclusively according to the rules prescribed by the Law on Business Companies, and all changes in the share capital are registered with the appropriate Register. Share capital stated in dinars is not changed according to changes of EUR exchange rates, although it is stated in Euros in the Register.



#### 9.4.2.10 Reserves

SMATSA llc has the reserve formed from the retained earnings until the reserve reaches at least 20% of the share capital as governed by the Contract on Confirmation of the Continuity of Air Navigation Services Provision within the Airspace of Serbia and Montenegro.

#### 9.4.2.11 Revaluation Reserves

Revaluation reserves comprise the positive effects of changes in the fair value of property, plant, equipment, intangible assets and other financial instruments. In accordance with IAS 16 and IAS 38, when an asset's carrying amount is increased as a result of revaluation, the positive effect of revaluation is credited directly to capital, as the revaluation reserve. Decrease in revaluation reserves arises from negative revaluation of an asset, for which the revaluation reserve was previously created. Negative effects of revaluation in case of realisation (disposal and decommissioning of assets) arise if the revaluation reserve was carried regarding that specific asset.

#### 9.4.2.12 Retained Earnings

Retained earnings are carried as retained earnings from prior years and retained earnings of the current year. The cumulated retained earnings from prior years and the effects from change in the accounting policy and correction of material fundamental error, in accordance with IAS 8 and adopted accounting policies, are carried in account Retained earnings from prior years. Retained earnings of the current year arise from transfer of a result from current year to the account of retained earnings. Realised revaluation reserves are transferred to Retained earnings of the current year in the Balance Sheet.

#### 9.4.2.13 Provisions

Long-term provisions comprise provisions in warranty period, provisions for retained caution money and deposits, provisions for restructuring of companies, provisions for employee benefits (IAS 19 – Employee Benefits) and other long-term provisions for coverage of liabilities (legal or actual), arisen as a result of past events, which are likely to cause the outflow of resources of economic benefits for the purpose of their settlement and which may be reliably measured (e.g. litigations in progress), and provisions for guarantees issued and other forms of bond.

Long-term provisions for costs and risks are monitored at their types, and their respective reduction or termination are credited to the income.

Provisions are not recognised for future operating losses.

Provisions differ from other liabilities, such as accounts payable to the suppliers and calculated liabilities, since they are uncertain in respect to their origination date or the sum of future expenditures required for their settlement.

Provisions are measured in the amount recognised as the provision, which represents the best estimation of expenditures required for settlement of the present liability as on the balance sheet date.

Provisions are tested as on each balance sheet date and corrected so as to present the best present estimate. If it is not likely that the outflow of resources of economic benefit is required for settlement of liabilities, the respective provision is abolished.

Provision represents the liability (legal or constructive), existing as on the balance sheet date, but is of uncertain maturity date and amount.

Within the account Provisions for employee benefits, SMATSA Ilc records long-term provisions for employee benefits (retirement indemnities and jubilee awards) paid in line with the rights acquired during employment and post-employment, in accordance with the IAS 19 – Employee Benefits. According to IAS 19, payments for retirement indemnities and jubilee awards are not to be charged to the period when payment was effected to employees, but the acquired right for such payments is to be calculated during the employment, that is from the employment date throughout the respective payment under the acquired right. SMATSA Ilc records provisions thereunder in accordance with the estimation performed by the accredited actuary.

#### 9.4.2.14 Liabilities

Liabilities are considered as:

- long-term liabilities (liabilities to associated legal entities and legal entities with intercompany interest, long-term loans, liabilities arising from the long-term securities and other long-term liabilities). Long-term liabilities become due and payable in the period longer than a year from the date when incurred, i.e. from the balance sheet date, respectively, and are recognised and measured in accordance with IAS 39 - Financial Instruments: Recognition and Measurement and other relevant IASs. SMATSA Ilc has created the long-term liability for long-term cross border loans.

When recognising the long-term liabilities for loans, SMATSA Ilc was guided by the guidelines of IAS 23 - Borrowing Costs. Interest expenses and other borrowing costs that are directly attributable to the acquisition, construction or development of qualifying asset must be capitalised (attributed) to the purchase (cost) value of that asset.

The capitalisation period is the period from the beginning of the investment in the qualifying asset (beginning of the capitalisation) to the moment when all activities necessary to prepare the asset for the planned use or sale (cessation of the capitalisation) are essentially completed. Borrowing costs incurred before and after the capitalisation period, regardless of whether they are incurred by the loans with or without the special purpose for the acquisition of the specific asset, are recognised as the expense of the period.

According to Paragraph 23 of IAS 23, the capitalisation of the borrowing costs is suspended during the extended periods in which active development of the qualifying asset is interrupted. The borrowing costs incurred during an extended period in which the activities necessary to prepare

the asset for its planned use or sale are suspended, cannot be capitalised, but are shown as an expense of that period (e.g. temporary suspension of the initiated facility construction).

Given that the loan is recorded in the foreign currency, such liability is calculated on the balance sheet date according to the middle exchange rate of that currency, and the respective exchange rate gains and losses arising thereunder are recorded;

- short-term financial liabilities (liabilities towards associated legal entities and legal entities with intercompany interests, short-term loans and other short-term financial liabilities); SMATSA Ilc recorded the liability towards the Civil Aviation Directorate of the Republic of Serbia under the signed Protocol TOP04, number 184/9, dated 20/08/2007;

- short-term liabilities from business operations (suppliers and other liabilities from business operations). SMATSA Ilc recorded all liabilities towards domestic and foreign suppliers;

- other short-term liabilities (liabilities for salaries, commission earnings, fringe benefits for SMATSA Ilc Supervisory Board and Assembly members, liabilities to physical persons related to contractual fees) and

- Liabilities for Value Added Tax (VAT).

Short-term liabilities are liabilities which are due within one year from the date of financial statements preparation.

A liability represents any contractual liability for:

- the transfer of cash or any other financial asset to another company, or

- exchange of financial instruments with another company under potentially adverse conditions.

Upon initial recognition, SMATSA Ilc measures its financial liability as per its purchase value, which represents the fair value of the compensation received for it. Transaction costs are included in the initial measurement of all financial liabilities.

Liabilities denominated in foreign currencies, as well as the liabilities with the index clause, are measured as on the financial statements preparation date according to the foreign currency middle exchange rate. The differences calculated then are accounted for as expense or revenue of the period.

Reduction in the liabilities under the law, extrajudicial settlement and alike is performed through a direct write-off.

#### 9.4.2.15 Current and Deferred Income Tax

Tax expenses for a period comprise the current and the deferred tax. The tax is recognised in the income statement, except to the extent to which it relates to the items recognised directly in the share capital. In this case, the tax is also recognised in the capital.

Current income tax is calculated on the balance sheet date, based on the valid statutory tax-related regulations of the Republic of Serbia, where SMATSA Ilc operates and generates taxable income. The management periodically reviews the items in the tax return, with respect to the situations in which the applicable tax regulation is subject to the interpretation, and makes reservation of funds, if appropriate, based on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated in the full amount, using the liability method, for the temporary differences arising between the tax basis of assets and liabilities and their book values in the financial statements. However, if the deferred income tax, provided it has not been entered into the accounting records, arises from the initial recognition of an asset or liability in a transaction other than a business combination, that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss, then the deferred tax is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and which are expected to be implemented in the period in which the deferred tax assets are to be realised or the deferred income tax liabilities settled.

Deferred tax asset is recognised to the amount expected to be covered by the future taxable profit, and the temporary differences are expected to be settled out of that profit.

#### 9.4.2.16 Revenues and Expenses

Revenues comprise revenues from the ordinary course of SMATSA Ilc activities and gains. Revenues from the ordinary course of activities are revenues gained from providing services in air traffic, revenues from providing flight calibration services, from training of pilots and air traffic control officers, from subsidies, grants, compensations and recovery of duties based on the sale of services, and other revenues calculated in the accounting document, irrespective of their payment time.

Gains represent other items qualified as revenues, and may arise, though not necessarily, from the ordinary course of SMATSA Ilc activities. Gains represent an increase in economic benefits, and as such are not different in nature from revenues. Gains include gains on disposal of long-term assets, unrealised gains; e.g.

the ones resulting from an increase in book value of long-term assets. Gains are recognised on a net basis, after being reduced for the respective expenses.

Various types of assets may be received or increased through revenues, for example cash, receivables and goods and services received as compensation for delivered products and services. In addition, revenues may arise from settlement of liability from repayment of residual debt.

SMATSA Ilc recognises revenues when the revenue may be reliably measured, when it is likely that SMATSA Ilc will have the economy benefits therefrom in the future and when separate criteria are met for each respective activity. The revenue is not deemed as reliably measured until all prospective liabilities, which may arise from sale, are settled. SMATSA Ilc bases its estimates on results from prior operations, given the type of customer, type of transaction and specific nature of every transaction.

Revenues from contracts with fixed pricing (for services relative to pilots and controllers training and flight calibration services) are recognised at the completion rate method. The revenues from services are proportionally recognised based on the completion rate of the service on the balance sheet date.

Interest income is recognised on a time-proportion basis.

Revenues from foreign currency clause include the positive effect of contracted revaluation and foreign currency clause.

SMATSA Ilc records Revenues based on the correction of immaterial errors from prior years in the account 692. On the balance sheet date (31/12), business events recorded in the account 692 are reclassified to the account 679 (if they do not represent material errors) or to the account of retained earnings, if they represent a material error.

Total operating expenses comprise: costs of material, wages, salaries and other personal expenses, depreciation and provisions, producing and intangible costs, irrespective of the payment date.

Expenditures for advertising, promotion and entertainment must be reliable, that is documented, in respect of their occurrence and payment. The reliably documented costs are recognised as entertainment expenditures, arisen under the following grounds: restaurant services for business partners in respect to conclusion and realisation of the agreement or any other form of business collaboration, giving product to business partners, catering services for jubilee celebrations and the like.

SMATSA Ilc records Expenses based on the correction of immaterial errors from prior years in the account 592. On the balance sheet date (31/12), business events recorded in the account 592 are reclassified to the account 579 (if they do not represent material errors) or to the account of retained earnings, if they represent a material error.

Losses represent other items qualifying as expenses, and may arise, though not necessarily, from the ordinary course of SMATSA Ilc activities. Losses represent reduction in economic benefits, and as such are not different in nature from other expenses.

Losses comprise, for example, the loss resulting from catastrophes, such as fire and flood, and the ones resulting from the sale of long-term assets. Furthermore, by definition the expense comprises unrealised loss, for example the loss originating from effects of increase in foreign currency exchange rate in respect to creating debt in that respective currency. When loss is recognised in the income statement, it is carried separately, since the acknowledgement thereof is useful when passing the economy-related decisions. The loss is usually recognised at the net basis, after its reduction by the respective revenues.

#### 9.4.2.17 Interest and Other Borrowing Costs

Interest and other borrowing costs of SMATSA Ilc are accounted for as per the basic procedure in accordance with the IAS 23 Borrowing Costs.

### **9.4.3 Financial Risk Management**

#### 9.4.3.1 Financial Risk Factors

SMATSA Ilc activities are exposed to various financial risks: market risk (including foreign exchange rate risk, fair value interest rate risk, cash flow interest risk, price change risk), credit risk, liquidity risk and cash flow risk. The main focus of risk management within SMATSA Ilc is on the attempt to minimise the potential adverse effects on the company's financial performance in the conditions of unpredictability of financial markets. SMATSA Ilc uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the management of SMATSA Ilc in line with the recommendations of the Supervisory Board. The management of SMATSA Ilc identifies and evaluates financial risks, and defines risk protection methods in cooperation with the company's operating units.

Interest expenses and other borrowing costs that are directly attributable to the acquisition, construction or development of qualifying asset must be capitalised (attributed) to the purchase value (cost) of that asset.

The borrowing costs incurred during an extended period in which the activities necessary to prepare the asset for its planned use or sale are suspended, cannot be capitalised, but are shown as an expense of that period (e.g. temporary suspension of the initiated facility construction).

#### 9.4.2.18 Subsequently Detected Errors

Subsequently found material errors are corrected through the account of retained earnings from previous years, that is, through the retained losses from previous years, in the manner established by the IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

A material error is an error which individually, or cumulatively with other errors, exceeds 3% of total revenues.

Subsequently found errors that are not material are restated for correction against expenses, or, in favour of revenues in the period when identified.

#### 9.4.2.19 Functional and presentation currency

Functional and presentation currency of SMATSA Ilc, in accordance with the IAS 21 The Effects of Changes in Foreign Exchange Rates, is dinar.

The management of SMATSA Ilc passes its business decisions duly and accurately thereby protecting itself from credit and market risks.

#### 9.4.3.2 Financial Risk Management Objectives

Financial risks comprise:

- market risk (currency risk and interest risk),
- credit risk, and
- liquidity risk.

Financial risks are reviewed on a time basis and are primarily hedged by reduction of SMATSA Ilc exposure to such risks. SMATSA Ilc does not use any financial instruments whatsoever in order to hedge the impact of financial risks on its operations, due to the fact that such instruments are not widely used, and that no organised market of such instruments exists in the Republic of Serbia.

#### 9.4.3.2.1 Market Risk (Currency Risk and Interest Risk)

In its business activities, SMATSA Ilc is exposed to financial risks pertaining to foreign currency exchange risks arising from various currency fluctuations (SMATSA Ilc operates internationally) and variations of interest rates. The risk arises from future commercial transactions, recognised assets or liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not SMATSA Ilc functional currency.

The market risk exposure is reviewed by the sensitivity analysis. There were no significant changes in SMATSA Ilc exposure to the market risk or in the manner of SMATSA Ilc management or measurement of such a risk.

SMATSA Ilc is obliged to hedge its total exposure to exchange rate risk by passing duly and timely decisions.

Basic financial instruments of SMATSA Ilc are cash and cash equivalents, receivables, financial investments originating directly from SMATSA Ilc activities and the long-term and short-term borrowings, accounts payable and other liabilities whose primary purpose is financing of SMATSA Ilc current operations. Accounts payable were partially settled in January and February 2015.

The policy of SMATSA Ilc management in respect to risk management is to hedge between 90% and 100% of expected cash flow (mainly revenues from provided services and costs of acquisition of equipment and spare parts) in every major currency within the following 12 months. The percentage of collection of route charges for services provided to foreign customers comprised approximately 99%. The percentage of collection of terminal services charges from foreign customers comprised approximately 85%, and from domestic customers, approximately 98%.

#### 9.4.3.2.2 Foreign Exchange Rate Risk

SMATSA Ilc is exposed to foreign exchange rate risk primarily through cash and cash equivalents, accounts receivables, long-term loans and accounts payables which are denominated in foreign currency. SMATSA Ilc does not use some special financial instruments against risk since this kind of instruments is not common in the Republic of Serbia.

Economic environment stability, in which SMATSA Ilc is performing its activities, depends a great deal on Government measures in economy, including as well the establishment of relevant legal framework.

SMATSA Ilc is influenced by Euro (EUR) and American dollar (USD) change rate. The structure of the financial

assets is mainly composed of accounts receivables (mostly foreign companies' debts) and cash and cash equivalents (foreign currency account). Liabilities are composed of long-term loans and payables. Long-term loans are recorded in foreign currency while payables for equipment and spare parts are also recorded in foreign currency, and payables for fixed monthly liabilities (electricity, telephone, fuel etc.) are recorded in domestic currency. Stated assets and liabilities are expressed in foreign currency on 31/12 of the current year and according to that the exchange difference is registered. Business result depends partly on financial revenues and expenses. Financial revenues participation percentage (positive currency exchange differences) in total revenues in 2015 was 0.85% (in 2014 it was 2.95%).

Financial expenses participation percentage (negative currency exchange differences) in total expenses in 2015 was 0.72% (in 2014 it was 4.21%).

#### 9.4.3.2.3 Interest Risk

SMATSA Ilc is exposed to interest rate change for the liabilities with variable interest rate. This risk depends on the financial market so SMATSA Ilc does not have available instruments to mitigate its influence.

#### 9.4.3.3 Credit Risk

Credits which are given with changeable interest rates expose SMATSA Ilc to cash flow interest risk. Credits which are given with fixed interest rate expose SMATSA Ilc to fair market value interest rate risk. In the course of 2014 and 2015, SMATSA Ilc credits with fixed and changeable interest rate were expressed in foreign currency.

Sensitivity analyses showed that the interest rate changes related to the loan from the EBRD do not expose SMATSA Ilc to the interest rate risk. The management estimates that the possible changes in the interest rates could comprise either the increase or decrease of 1%. The conclusion is that such change would not have a significant impact on SMATSA Ilc financial result.

#### 9.4.3.3.1 Debt Ratio

Since SMATSA Ilc has obtained the loans in the amount higher than the amount of cash and cash equivalents (RSD 3,427,544 and 3,638,462 thousand of dinars), this means that SMATSA Ilc has a debt ratio that can be represented in two ways:

- $\text{Borrowed funds/Total funds} \times 100 = 3,910,181/17,435,278 \times 100 = 22.43\%$
- $\text{Long-term loans/Capital} + \text{Long-term liabilities} \times 100 = 3,427,544/15,654,430 \times 100 = 21.90\%$

The first ratio is used to show the borrowed funds share in the total capital and the contribution of the borrowed capital to the financing of the assets. The debt ratio (gearing ratio) shows that every RSD of SMATSA Ilc available funds contains RSD 0.2243 dinars of foreign funds (absolutely), i.e. the indebtedness of the company amounts to 22.43% of the total financing funds (relatively). This means that the creditors have the right to use available company assets up to the amount of the indebtedness.

The second ratio is used to show the borrowed long-term capital share in the total long-term capital (owned and borrowed), which is closely related to the degree of profitability and the capital release speed through the capital write-off (depreciation). The long-term loans share in the total long-term funds amounts to 21.90%. The high share of the liabilities in the total capital and of the long-term liabilities in the capital is acceptable and will not jeopardize the safety and liquidity since the level of available cash equivalents is high.

SMATSA Ilc has not pledged any assets in order to secure the loan.

#### 9.4.3.4 Liquidity Risk

Liquidity is defined as the ability of a company to meet the financial commitments for the entire amount and on time, while at the same time preserving the required scope and structure of current assets to conduct current operations, and creditworthiness. Maintaining financial solvency (liquidity) is the requirement primarily imposed on SMATSA Ilc by the lender (creditor), i.e. the legal system.

The liquidity represents the coverage of the short-term liabilities with the current assets.

SMATSA Ilc Management maintained the liquidity of the operations by the adequate financing of the real part of the current assets (inventories) with the long-term capital and ensuring that the nominal assets (receivables + cash) are always financed with the short-term liabilities, provided that the turnover speed is always the same, which means, provided that the velocity of maturities of short-term liabilities matched the speed of collection.

Prudent liquidity risk management implies maintaining the sufficient cash and providing the adequate sources of funding through an adequate amount of credit liabilities and possibility.



# Independent Auditor's Report

## MOORE STEPHENS REVIZIJA I RAČUNOVODSTVO

Privredno društvo za reviziju računovodstvo i konsalting  
"MOORE STEPHENS Revizija i Računovodstvo" d.o.o.  
Studentski Trg 4/V, 11000 Beograd, Srbija  
Tel: +381 (0) 11 3283 440, 3281 194; Fax: 2181 072  
E-mail: office@revizija.co.rs, www.revizija.co.rs  
Matični broj/ID: 06974848; PIB/VAT: 100300288

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

### INDEPENDENT AUDITOR'S REPORT

**To the stakeholders of Serbia and Montenegro Air Traffic Services SMATSA LLC, Belgrade**

#### Report on the Financial Statements

*We have audited the accompanying financial statements of Serbia and Montenegro Air Traffic Services SMATSA LLC, Belgrade which comprise the balance sheet as at 31 December 2015, the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.*

#### Management's Responsibility for the Financial Statements

*Management is responsible for the preparation and fair presentation of these financial statements in accordance with the current accounting regulations in effect in the Republic of Serbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

#### Auditor's Responsibility

*Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.*

*An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.*

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

## INDEPENDENT AUDITOR'S REPORT

To the stakeholders of Serbia and Montenegro Air Traffic Services SMATSA LLC, Belgrade

### Report on the Financial Statements - Continued

#### Opinion

*In our opinion, the financial statements, in all material respects, give a true and fair view of the financial position of Serbia and Montenegro Air Traffic Services SMATSA LLC, Belgrade as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the current accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the notes to the financial statements.*

#### Report on Other Legal and Regulatory Requirements

*Pursuant to Article 30 of the Law on Auditing ("Official Gazette" no. 62/2013), we have investigated the compliance of the Annual Report and the Financial Statements. Management is responsible for the preparation the annual report in accordance with the current regulations in effect. Our responsibility is to express our finding in relation to compliance of the annual report and the financial statements, conducting audit procedures in accordance with the International Standard on Auditing 720 - The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.*

*Based on our audit procedures used, no material inconsistency has been identified which would indicate that the annual report for 2015 is not in compliance with the financial statements for the same financial year.*

Belgrade, 27 May 2016

„MOORE STEPHENS  
Revizija i Računovodstvo“ doo, Belgrade

Bogoljub Aleksić  
Managing Partner



# 11

## Acronyms and Abbreviations

ADR	All-Purpose Data Stream Replicator
ADQ	Aeronautical Data Quality
AFIS	Aerodrome Flight Information Services
AFTN	Aeronautical Fixed Telecommunication Network
AIP	Aeronautical Information Publication
AIS	Aeronautical Information Services
ALR	Alerting Services
AMHS	Aeronautical Message Handling System
ARTAS	ATM surveillance Tracker And Server
ASM	Airspace Management
ATC	Air Traffic Control
ATFCM	Air Traffic Flow and Capacity Management
ATFM	Air Traffic Flow Management
ATIS	Automatic Terminal Information Service
ATM	Air Traffic Management
ATP	Airline Pilot Training
ATS	Air Traffic Services
BHANSNA	Bosnia and Herzegovina Air Navigation Service Agency
CANSO	Civil Air Navigation Services Organisation
CAT	Category
CDA	Continuous Decision Approach
CIMACT	Civil Military ATM Co-ordination Tool

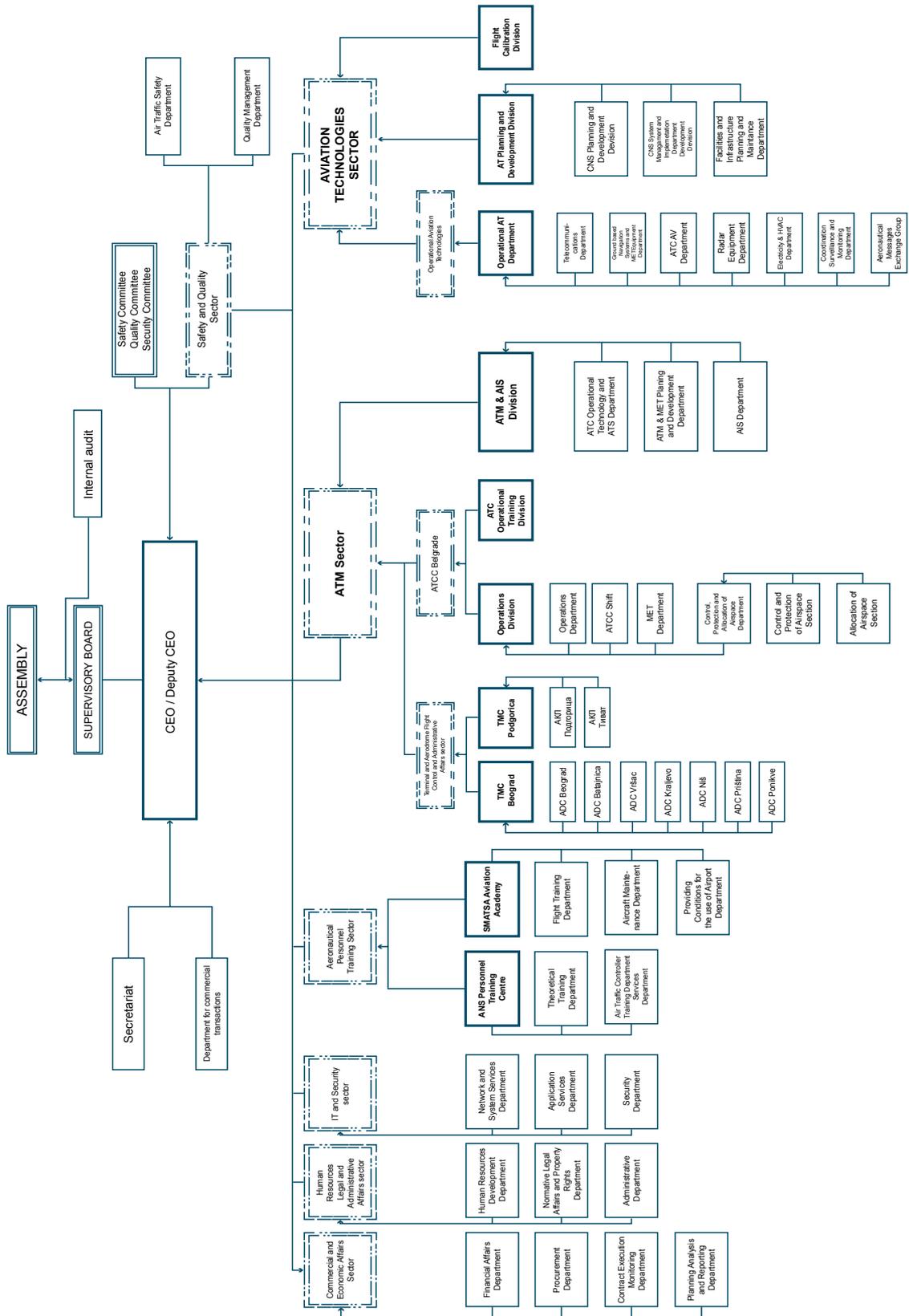
CPL	Comercial Pilot Licence
CPR	Correlated position report
CS5 EAIMS	Centralised Services 5: European ATM Information Management Service
DCT	Direct route
DME	Distance Measuring Equipment
DPS	Data Processing System
DVOR	Doppler VOR
EANPG	European Air Navigation Planning Group
EASA	European Aviation Safety Agency
ECAC	European Civil Aviation Conference
ECMA	European Conference on Meteorology for Aviation
ECMWF	European Centre for Medium-Range Weather Forecasts
ESARR	Eurocontrol Safety Regulatory Requirements
EUMETCAL	European Meteorological Computer Assisted Learning
ETFMS	Enhanced Tactical Flow Management System
EUROCONTROL	European Agency for the Safety of Air Navigation
FAB	Functional Airspace Block
FAMUS	Future ATM Modernisation and Upgrade System
FDPS	Flight Data Processing System
FIR	Flight Information Region
FIS	Flight Information Services
FMTF	Flight Message Transfer Protocol
FUA	Flexibile Use of Airspace
GRIB	Gridded Binary
ICAO	International Civil Aviation Organisation
ICASC	International Committee for Airspace Standards and Calibration
IFIS	International Flight Inspection Symposium
ILS	Instrument Landing System
LLZ	Localizer

LOA	Letter of Agreement
LRD	Long Range DCTs
LVP	Low Visibility Procedures
MET	Meteorology or Meteorological
MTOW	Maximum take of weight
NATO	North Atlantic Treaty Organisation
OAT	Operational Air Traffic
OLDI	On-Line Data Interchange
PANS OPS	Procedures for Air Navigation Services - Aircraft Operations
PBN	Performance Based Navigation
PBN SID	Performance Based Navigation Standard Instrument Departures
PBN STAR	Performance Based Navigation Standard Arrival
PPL	Private Pilot Licence
PSR	Primary Surveillance Radar
RMCDE	Radar Message Conversion and Distribution Equipment
ROMATSA	Romanian Air Traffic Services
RRR	Radar Data Recording & Replay System
SAA	SMATSA Aviation Academy
SEAFRA	South East Axis Free Route Airspace
SES	Single European Sky
SMATSA	Serbia and Montenegro Air Traffic Services SMATSA IIc
SMS	Safety Management System
SSR	Secondary Surveillance Radar
SUSAN	SMATSA Upgrade of System for Air Navigation
TRS	Time Reference Signal
TSA	Temporary Segregated Area
VCS	Voice Communication System
WMO	World Meteorological Organisation
ACS	Aerodrome Control Service

CAA	Civil Aviation Agency of Montenegro
CAD	Civil Aviation Directorate of the Republic of Serbia
RNS	Ground radio navigation
PSS	Runway
ATC	Terminal air traffic control
ATCC	Air Traffic Control Centre



## Annex 1 - SMATSA Ilc Organisational Structure



Company Name:  
Serbia and Montenegro Air Traffic Services  
SMATSA llc, Belgrade

Head Office: Nikola Pasic Square 10, 11000 Beograd,  
Republic of Serbia, P.O.Box 640

Registration Number:  
17520407

Tax ID Number:  
103170161

Telephone:  
+381 11 3218 123

Fax:  
+381 11 3240 456

E-mail:  
[kl@smatsa.rs](mailto:kl@smatsa.rs)

Website:  
[www.smatsa.rs](http://www.smatsa.rs)



smatsa

Nikola Pasic Square 10, 11000 Belgrade,  
Republic of Serbia, P.O.Box 640  
[www.SMATSA.rs](http://www.SMATSA.rs)