2023.

ANNUAL REPORT

CONTENT

This format of the Annual Report does not constitute the official ESEF announcement of the Annual Report. Annual Report for the year 2023 in ESEF format has been published on 20 March 2024, and this additional document which is published together with the Invitation to the General Assembly convoked for 8 May 2024 and is presented to shareholders with the incorporated Report of the Supervisory Board on performed supervision during the business year 2023, contains identical data that was already published within ESEF format.

INTRODUCTION

LETTER TO SHAREHOLDERS

Dear shareholders,

In year 2023 we once again had to navigate through a demanding landscape that was marked by turbulences in economic, social, geopolitical spheres, with persisting inflation being at one of the highest levels within the EU, with GDP growing but at the same time slowing down in comparison to previous year.

In such a dynamic but challenging year we once again achieved significant progress across every single one of our strategic objectives, delivering very strong commercial and financial results, strengthening our network leadership, with market leading investments in our network and ICT infrastructure confirming our dedication to provide the platform for country's digitalization and future business growth.

Very strong financial performance

We closed the year with top line up by 5.7% YoY across both consumer and business segments which more than offset the inflationary pressures on our operating expenses, resulting in adjusted EBITDA AL growing by 5.3% YoY and net profit up by 51.8% YoY.

Market leading investments further increased in 2023, up by 50.7% YoY, reaching EUR 361.4 million including spectrum, with us once again proving our unwavering dedication to further strengthening network leadership and providing the best customer experience.

Strengthened network leadership

With EUR 135.3 million investment in the legacy bands spectrum auction we secured the largest mobile spectrum share in the market, even more than what we held before the auction. This, coupled with the 5G spectrum acquired in 2021 means we are meeting the preconditions for maintaining the mobile network leadership for the coming 15 years, while at the same time continuously improving the mobile network experience.

The ongoing investments in our infrastructure were once again recognized and appreciated, with our mobile network receiving the OOKLA certification for the best and fastest mobile network in the country for the 5th consecutive year as well as the Croatian regulator HAKOM's recognition for the best mobile network in Croatia.

We also expanded our already largest FTTH network in the country by increasing our footprint by slightly more than 20% in new households and businesses, bringing us a step closer to our goal of covering over 1 million households with gigabit fiber speeds.

One of the year 2023 milestones was the deregulation of our fiber networks, as starting from December HT is again in the position to compete on equal terms in the deregulated areas, including all the major cities in Croatia. This will effectively allow even more customers to move to the fiber gigabit speeds and us to utilize our infrastructure better, enabling also the acceleration of the country's digitalization.

Accelerated operating model transformation

With inflation bringing significant pressures on every single cost item in our P&L, we accelerated the transformation of our operating model bringing even more automation and digitization, streamlining our operations, including the integration of Iskon into Hrvatski Telekom and the transfer of the technological unit for construction and maintenance of our network from Ericsson Nikola Tesla back to HT as of January 2024. Furthermore, we initiated the phase-out of our 3G network, accelerating the transition to more energy-efficient 4G and 5G technologies.

The best ever customer satisfaction

As a result of our investments in the superior network experience, us constantly improving our product and service channels experience, while making customer experience the #1 priority for every single employee in our company, we recorded the best-ever customer experience ratings, across both consumer and business segments.

Consistent with our customer experience performance was also our brand performance, with us defending our leading position as the most loved brand in the Croatian telco market.

Employer of choice

In 2023 we were once again recognized as the best and the most desirable employer in the telco industry and one of the best employers in Croatia across industries. In December we signed a new Collective Labor Agreement for the next three years, further reinforcing our status as the industry's employer of choice.

Driving the sustainability agenda

Throughout 2023, we continued executing our ESG strategy driving the sustainability agenda. Particular emphasis was put on climate change, resource efficiency and digital inclusion. As a result, we achieved a 3% YoY reduction in our energy consumption and 4% YoY decrease in CO_2 emissions, with signing of the country's first virtual PPA agreement marking a significant milestone in our company's energy transition towards renewables. We also launched a comprehensive environmental protection platform "Call you have to take" and had a record-high year in terms of collected electronic devices. Our efforts were recognized once again with us winning the national sustainability award for the third year in a row.

The highest capital allocation

Our capital allocation strategy clearly demonstrates our strong focus on shareholder returns and intention to return value to our shareholders. In 2023 we distributed EUR 107.8 million (5.0% yield) to our shareholders through dividends and Share Buybacks, which marking the highest returns since 2019. During 2023 we paid a total of EUR 86.6 million in dividends, or EUR 1.10 per share, which represents a ratio of the dividend payment in relation to the realized profit of the Company of 93.9%, and a 3.6% YoY increase. As part of the Share Buyback Program, we have successfully completed our first Accelerated Book Building auction in September with market interest surpassing expectations.

Outlook for 2024

In 2024 we continue to build on our solid foundations aiming to grow our company further, investing in the gigabit fiber infrastructure and our 5G network expansion, pushing forward with our operating model transformation leveraging digitization and new technologies including AI, further improving customer experience and employee's engagement, creating even more value for our customers and shareholders, while leading the digitization of the Croatian society.

We firmly believe that our investments in digital infrastructure and services have been instrumental for our growth momentum thus far and will remain critical in keeping our company growing into the future while at the same time driving the country's digital development.

With Nataša Rapaić taking over as CEO in July 2024 I'm confident that under her leadership Hrvatski Telekom will grow further, reaching new heights, connecting everyone with the opportunities of digitization.

Kostas Nebis
President of the Management Board (CEO)

CORPORATE PROFILE

At a Glance

HT Group (Hrvatski Telekom d.d. (HT d.d. or the Company) and its subsidiaries (together: HT Group)) is the leading provider of telecommunications services in Croatia, offering fixed and mobile telephony services, as well as wholesale, Internet and data services. The Company has no branches.

Hrvatski Telekom d.d. (HT d.d. or the Company), including its subsidiary companies, is the leading provider of comprehensive information and communication solutions and services at the whole territory of the Republic of Croatia. A wide spectrum of fixed broadband network products and services is provided, mobile communications, internet, IPTV, IoT services and data transfer services between devices (M2M). HT Group also provides integrated Information and Communication Technology solutions (ICT) for business and corporate customers and data transfer services (leased lines, Metro-Ethernet, IP/MPLS).

R&D spending covers pre-production research and development for new products, processes, and services. However, it doesn't include the costs of developing system and user software for productivity improvements in our business operations. HT Group possesses various technological competencies and provides a wide range of ICT solutions, including infrastructure and data centres, a broad spectrum of network security services, as well as solutions for IoT and smart cities. The newest partnership between HT Group (HT) and Ericsson Nikola Tesla (ENT) on exclusive supply of HT's mobile network's radio access part (RAN) aims to improve Internet access and mobile applications' quality for users by implementing Ericsson's cutting-edge 5G technology, paving the way for advanced digital solutions like augmented reality and robotics. Also, HT Group and the Faculty of Mechanical Engineering and Naval Architecture (FSB) collaborate on implementing a private 5G Campus network and Smart Factories in the FSB laboratory. The project is inspired by Deutsche Telekom's initiatives across Europe for the development and testing of new communication technologies.

History and Incorporation

Hrvatski Telekom d.d. is a joint stock company, majorly owned by Deutsche Telekom Europe B.V. It was incorporated on 28 December 1998 in the Republic of Croatia, pursuant to the provisions of the Act on the Separation of Croatian Post and Telecommunications into Croatian Post and Croatian Telecommunications, by which the business operation of the former HPT – Hrvatska pošta i telekomunikacije (HPT s.p.o.) was separated and transferred into two new joint stock companies, HT – Hrvatske telekomunikacije d.d. (HT d.d.) and HP – Hrvatska pošta d.d. (HP d.d.). The Company commenced operations on 1 January 1999.

Pursuant to the terms of the Act on Privatization of Hrvatske telekomunikacije d.d. (AoP) (Official Gazette No. 65/99 and No. 68/01), on 5 October 1999, the Republic of Croatia sold 35% of shares in HT d.d. to Deutsche Telekom AG (DTAG), and on 25 October 2001, DTAG purchased further 16% of shares in HT d.d. and thus became the majority shareholder with a 51% stake.

Pursuant to the Share Transfer Agreement, in December 2013, DTAG transferred 51% of its shares in the Company to T-Mobile Global Holding Nr. 2 GmbH. Pursuant to the Deed of issuance of a share against non-cash contribution, in February 2014, T-Mobile Global Holding Nr. 2 GmbH transferred 51% of the shares in the Company, to CMobil B.V. In April 2015, CMobil B.V. changed its registered name into Deutsche Telekom Europe B.V. The above-mentioned transfers of shares were executed as a part of the internal restructuring performed within DTAG and as a result thereof, DTAG's influence in HT d.d. remains unchanged.

In 2002, HT mobilne komunikacije d.o.o. (HTmobile) was established as a separate legal entity and subsidiary wholly owned by HT d.d. for the provision of mobile telecommunications services. HTmobile commenced commercial activities on 1 January 2003 and in October 2004, the company's registered name changed to T-Mobile Croatia d.o.o. (T-Mobile).

On 1 October 2004, the Company was re-branded in T-HT, thus becoming a part of the global T- family of Deutsche Telekom. This evolution of corporate identity was followed by the creation of trademarks for the two separate business units of the Group: the fixed network operations business unit, T-Com – which provides wholesale, Internet and data services; and the mobile operations business unit, T-Mobile.

On 17 February 2005, the Government of the Republic of Croatia transferred 7% of its shares in HT d.d. to the Fund for Croatian Homeland War Veterans and Their Families, pursuant to the AoP.

In May 2006, the Company acquired 100% of shares of Iskon Internet d.d., one of the leading alternative telecom providers in Croatia.

As part of the continued privatization of HT d.d., on 5 October 2007, the Republic of Croatia sold 32.5% of HT ordinary shares through an Initial Public Offering (IPO). Of the total shares included in the IPO, 25% were sold to Croatian retail investors, while 7.5% were acquired by Croatian and international institutional investors.

Following the sale of shares to current and former employees of Hrvatski Telekom and Croatian Post in June 2008, the Government of the Republic of Croatia reduced its holding from 9.5% to 3.5%, while private and institutional investors are holding a share of 38.5% in total.

In October 2009, T-Mobile Croatia was merged into HT d.d., effective as of 1 January 2010. HT Group was organized into Residential and Business unit. On 21 May 2010, the Company's registered name was changed from HT – Hrvatske telekomunikacije d.d. to Hrvatski Telekom d.d.

On 17 May 2010, HT d.d. completed the acquisition of IT services company Combis d.o.o., extending its reach into the provision of IT software and services for a client base that ranges from small businesses to government departments. The Combis Group consists of Combis and its subsidiaries, Combis d.o.o., Sarajevo and Combis – IT usluge d.o.o., Belgrade.

In December 2010, according to the records stored in the Central Depository & Clearing Company, the Republic of Croatia transferred 3.5% of its shares in the Company, to the Pensioners' Fund. On 12 December 2013, the Pensioners' Fund transferred 3.5% of shares in the Company to the account of the Restructuring and Sale Center (Centar za restrukturiranje i prodaju – CERP). The Republic of Croatia established CERP in July 2013 as legal successor to the Government Asset Management Agency. As a result, the Republic of Croatia again holds a stake in HT d.d. In December 2015, following the public auction, CERP sold 500,000 of its shares in the Company (0.6% of HT d.d. share capital) via Zagreb Stock Exchange trading system. Following this sale of shares CERP reduced its holding from 3.5% to 2.9%.

In June 2014, HT took over management of OT-Optima Telekom d.d. (Optima), following the completion of the pre-bankruptcy settlement procedure. By the conversion of claims into share capital and following the realization of a Mandatory Convertible Loan instrument in July 2014, HT has acquired total of 19.1% of Optima's share capital.

Zagrebačka banka d.d., as the largest creditor of Optima, transferred controlling rights acquired in the pre-bankruptcy settlement procedure to HT. Croatian competition agency (Agencija za zaštitu tržišnog natjecanja - AZTN), has determined a set of measures defining the rules of conduct for HT in regards to management and control over Optima. The duration of the concentration of HT and Optima shall be limited to a period of four years, starting from HT's acquisition of control over Optima.

On 3 November 2014 an extraordinary General Assembly of Optima was held, at which the conversion of Tax Administration receivables into company capital was approved, thereby increasing the share capital by a total amount of EUR 386,237.97. After the registration of this change in the Court Registry in 2015, the ownership interest of HT in Optima decreased to 19.02%.

In July 2016, Optima's Management Board adopted a strategic decision on the merger of H1 Telekom d.d. (H1) with Optima in order to achieve positive synergies among the companies and to increase Optima's value for its existing and new shareholders (previous H1 shareholders). Accordingly, Optima submitted to the AZTN an Application for Intended Concentration. Following the aforementioned change in circumstances, HT submitted a request to prolong the temporary management of Optima until 2021.

In June 2017, AZTN passed the decision by which the duration of temporary management rights of Optima for HT is prolonged for an additional three-year period, that is, until 10 July 2021. AZTN has also reached the decision on conditional approval of the concentration pursuant to the Merger Agreement of the company H1 into Optima, concluded on 29 July 2016. Merger is executed in such a way that the total assets of H1 are transferred to Optima, thereby H1 ceases to exist as a separate legal entity, and in exchange for H1 shares previous H1 shareholders obtain shares of Optima.

The procedure of the merger of H1 into Optima was completed as at 1 August 2017, and for the purpose of the merger procedure, an increase of share capital of Optima, for the amount of EUR 7,812,669.72, was also carried out. Increase of share capital was carried out by issuing 5,886,456 new ordinary shares that were transferred to previous shareholders of H1 Telekom. After the registration of this change in the Court Registry in August 2017, the ownership interest of HT in Optima decreased to 17.41%. Notwithstanding this decrease in ownership interest, controlling rights transferred to HT pursuant to the Agreement with Zagrebačka banka have remained unchanged.

At the beginning of January 2017, HT d.d. concluded a Share Purchase Agreement with Magyar Telekom, Nyrt, based in Budapest, Hungary. Under the agreement, Hrvatski Telekom acquires Magyar Telekom's 76.53% stake in Crnogorski Telekom A.D., based in Podgorica, Montenegro, at a purchase price of EUR 123.5 million. Crnogorski Telekom is the largest telecommunications company in Montenegro and provides a full range of fixed and mobile telecommunications services.

On 1 March 2018 HT d.d. concluded respective Agreements on transfer of HT's interest and shares in its subsidiaries and related companies seated in Croatia, Iskon Internet d.d., OT-Optima Telekom d.d., Combis, usluge integracija informatičkih tehnologija, d.o.o., Kabelsko distributivni sustav d.o.o. and E-tours d.o.o., to HT holding, a limited liability company established and fully owned by HT. Registration of transfers of interest and shares in all of these companies was conducted during March 2018. Crnogorski Telekom A.D. is also included in the portfolio of HT holding, as of January 2017.

In September 2018, upon the obtaining of all necessary regulatory approvals, HT d.d. concluded the sale transaction of its electric energy business to the buyer RWE Hrvatska d.o.o. HT has been offering retail electricity services to residential and business customers as of December 2013.

In November 2018, HT d.d. concluded a Purchase Agreement with the company HP-Hrvatska pošta d.d. on acquisition of 100% stake in the company HP Produkcija d.o.o., provider of evotv service. In February 2019 HAKOM approved HT's takeover of HP Produkcija d.o.o., thus enabling the closing of the transaction. Registered name of HP Produkcija d.o.o. has been changed to HT Produkcija d.o.o. in April 2019. Evotv is a simple service present at the Croatian PayTV market as of 2012, enabled by using a digital DVB-T signal which can be received through the existing antenna.

Within the strategy of restructuring non-core parts of HT's business operations, in November 2019 a Contract was concluded with Uniline d.o.o. on transfer and sale of the share held by HT holding d.o.o. in the company E-tours d.o.o. Transaction has been closed on 31 December 2019.

In January 2020, as in accordance with the AZTN decision from June 2017, HT started the sale process of all of its shares held in the company Optima, through an Invitation for Submission of Offers for the Acquisition of Shares in Optima, published in the printed edition of the international financial herald Financial Times. In December 2020, HT and Zagrebačka banka d.d. jointly engaged the investment bank CREDIT SUISSE (DEUTSCHLAND) AKTIENGESELLSCHAFT, with its registered seat in Frankfurt am Main, Germany, for the continuation of the sale process of their shares in the company Optima.

In July 2021, HT and Zagrebačka banka d.d. signed an agreement with the company Telemach Hrvatska d.o.o. owned by United Group (United Group B.V., The Netherlands) on the sale and purchase of the shares of the company Optima. The subject of the transaction is sale of total of 54.31% shares of Optima out of which 36.90% are owned by Zagrebačka banka, while 17.41% are owned by HT holding d.o.o., a company in 100% ownership of HT. The concentration of HT and Optima ceased as of 10 July 2021, by which date management of HT over Optima ceased as well.

HT and Zagrebačka banka signed the Share Transfer Agreement on 21 January 2022, whereby they transferred their shares in Optima to the company Telemach. HT holding thus transferred its 17.41% stake and Zagrebačka banka transferred its 36.90% stake in Optima to Telemach Hrvatska d.o.o., and Telemach Hrvatska d.o.o. acquired the total of 54.31% of the stake in Optima.

In September 2021, Agreement on transfer of share held by HT holding d.o.o. in Kabelsko distributivni sustav d.o.o. (KDS) was concluded, between HT holding d.o.o. as the transferor company and HT as the transferee company. HT and KDS concluded on 29 September 2021 the Agreement on merger of KDS into HT. On 1 December 2021 the merger has been entered into the Court Register of the Commercial Court in Zagreb, by which the merged company KDS seized to exist and the acquiring company, HT, became the universal legal successor of the merged company, thus entering into all legal relationships of the merged company.

HT and HT Produkcija d.o.o. (HTP) concluded on 15 March 2022 the Agreement on merger of HTP into HT. On 1 June 2022 the merger has been entered into the Court Register of the Commercial Court in Zagreb, by which the merged company HTP seized to exist and the acquiring company, HT, became the universal legal successor of the merged company, thus entering into all legal relationships of the merged company.

In June 2023, Agreement on transfer of shares held by HT holding d.o.o. in Iskon Internet d.d. (Iskon) was concluded, between HT holding d.o.o. as the transferor company and HT as the transferee company.

HT and Iskon concluded on 8 November 2023 the Agreement on merger of Iskon into HT. On 2 January 2024 the merger has been entered into the Court Register of the Commercial Court in Zagreb, by which the merged company Iskon seized to exist and the acquiring company, HT, became the universal legal successor of the merged company, thus entering into all legal relationships of the merged company. Iskon products and services shall continue to be provided as a separate brand within HT.

On 1 January 2024, the technological unit Ericsson Nikola Tesla Servisi d.o.o. (ENTS) for construction and maintenance of the Croatian Telecom network, which was initially outsourced to ENTS in September 2014, became part of the HT Group. The now former technological unit of ENTS has been transferred together with the employees to HT Servisi d.o.o. (daughter company fully owned by Croatian Telecom which was established on 15 November 2023), based on the Agreement on the transfer of a part of the economic activity concluded with ENTS.

INVESTOR INFORMATION

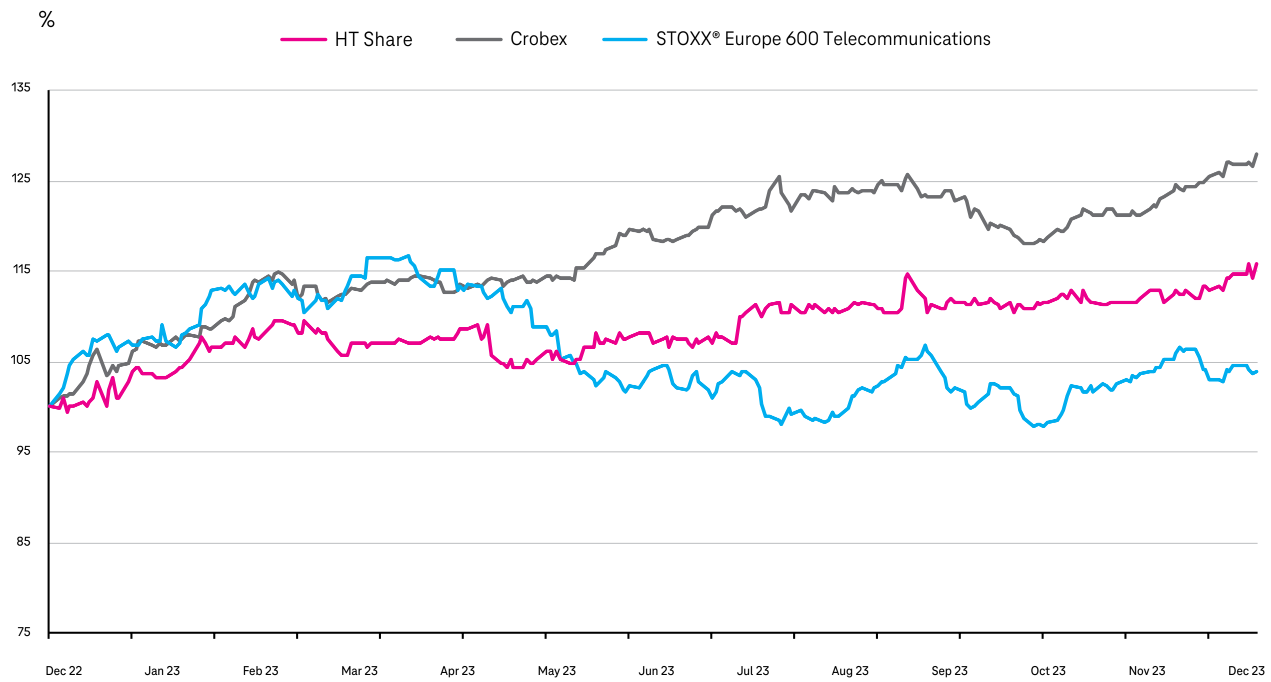
Share price performance

Fueled by a strong economy, improved corporate earnings, and anticipated pause in the Federal Reserve's interest rate hikes, the primary stock indices exhibited robust growth throughout 2023.

In the same period, the CROBEX experienced a notable upswing, recording a substantial increase of 28.0%. However, the European telecom sector continued to face challenges. It grappled with increased capital expenditures for essential fiber investments and the implementation of 5G technology, alongside regulatory uncertainties, and broader concerns regarding growth prospects.

Despite the headwinds, HT shares demonstrated a solid performance throughout 2023. While HT growth lagged behind the CROBEX, it notably exceeded the telecommunications index STOXX® Europe 600. By the year's end, the share price reached EUR 27.30, demonstrating resilience and underlying potential.

HT Share as compared to CROBEX and STOXX® Europe 600 Telecommunications Index, 31 December 2022 - 31 December 2023



With turnover of EUR 30.4 million, HT was one of the most traded shares on the Zagreb Stock Exchange in terms of value (2022: EUR 53.2 million).

Since its initial public offering in October 2007, HT shares have traded on the Zagreb Stock Exchange, with Global Depositary Receipts trading on the London Stock Exchange until the delisting and termination of the GDR facility on 6 October 2014. The shares will continue to be listed and tradable on the Zagreb Stock Exchange.

Dividend policy

The dividend policy of the Company was set out in the prospectus that accompanied its Initial Public Offering in October 2007 and published on the website of the Company:

Any future dividend, declared and paid in respect of any year, shall range from 50% to 100% of the Company's distributable profits earned in the immediately preceding year. Any annual dividend shall depend on the overall financial position of the Company and its working capital needs at the relevant time (including but not limited to the Company's business prospects, cash requirements, financial performance, and other factors including tax and regulatory considerations, payment practices of other European telecommunications operators and general economic climate).

Dividend for the 2022 financial year

On 10 May 2023, the General Assembly of the Company approved a dividend payment to shareholders of EUR 1.10 per share. EUR 1.10 per share was paid out of the year-end profit of 2022, in the amount of EUR 86,631,479.00.

In total, EUR 1.10 represents a dividend payout ratio of 93.9% from the Company's net profit. The dividend was paid in May 2023.

At the end of 2023, this represented a dividend yield of 4.0% on HT's closing price of EUR 27.30.

Dividend proposal for financial year 2023

As of 2015, HT announces a minimum target dividend for each year at the start of that particular year, within the range as set out in our dividend policy e.g. from 50% to 100% of the Company's distributable profits depending on its overall financial position and working capital needs.

To comply with that commitment, in March 2023, HT announced that it expected to pay out a minimum dividend of EUR 0.8 per share out of 2023 net profit.

The Management Board and Supervisory Board of Hrvatski Telekom d.d. propose to this year's General Assembly the distribution of the net profit from 2023 in a way that a part of net profit in the amount of EUR 119,340,000.00 shall be paid out as dividend to shareholders, in the amount of EUR 1.53 per share, and the remainder of net profit in the amount of EUR 5,821,197.98 shall be allocated to retained earnings.

The General Assembly is planned to be convoked for 8 May 2024. In line with the proposal, aforementioned dividend is planned to be paid out on 20 May 2024 to all shareholders who are entered in the depository of the Central Depository & Clearing Company (SKDD) on 13 May 2024 (record date). The date on which the securities of Croatian Telecom Inc. would be traded without the dividend payment right is 10 May 2024 (ex-date).

Dividend proposal for financial year 2024

Management Board currently expects a minimum dividend of EUR 0.80 per share for the year 2024.

Share Buyback Programme

The ongoing Share Buyback Programme ("Programme") was launched by the Management Board on 28 April 2021, in line with authorization of the General Assembly as of 23 April 2021, with commencement as of 29 April 2021 and lasting until 22 April 2026. The maximum number of shares intended to be acquired within this Programme is 3,000,000, while the maximum amount allocated to the Programme is EUR 79,633,685.05. The purpose of the Programme is to withdraw shares without a nominal value without reducing the share capital, in accordance with the Article 352 paragraph 3 item 3 of the Companies Act, in which case the stake of the remaining shares in the share capital increases and, in a smaller part, to offer them to employees.

During 2023 the Company acquired at Zagreb Stock Exchange in total 808,252 Company shares, representing 1.03% of the Company's issued share capital. For this acquisition in 2023, the Company paid out an equivalent value of EUR 21,190,432.43. The total number of Company shares held on 31 December 2023, amounted to 811,054, in book value of EUR 21,226,327.66, representing 1.03% of the Company's issued share capital.

In December 2023 the Management Board withdrew 775,842 Company shares, thereby the total number of shares has decreased to 78,000,000 shares.

Shareholder Structure as at 31 December 2023

Deutsche Telekom Europe B.V.	53.0%
War Veterans' Fund	6.9%
Restructuring and Sale Center (CERP)/ Republic of Croatia	2.7%
Private and other institutional investors	37.4%
Total number of shares issued: 78,775,842	

Shareholder Structure as at 2 January 2024

Deutsche Telekom Europe B.V.	53.5%
War Veterans' Fund	7.0%
Restructuring and Sale Center (CERP)/ Republic of Croatia	2.7%
Private and other institutional investors	36.8%
Total number of shares issued: 78,000,000	

Deutsche Telekom Europe B.V., majority shareholder in HT is ultimately owned by Deutsche Telekom AG.

Raiffeisen Pension Funds are investors with the largest shareholding among private and institutional investors, holding 11.2% of shares of the Company.

Financial Calendar

	Date
Release of fourth quarter and full year 2023 un-audited results	February 23, 2024
Release of full year 2023 audited results Proposal on Utilization of Profit	March 20, 2024
Release of first quarter 2024 results	April 29, 2024
The General Assembly of the Company	May 08, 2024
Release of six months 2024 results	July 26, 2024
Release of nine months 2024 results	October 31, 2024

The above-mentioned dates are subject to change

General information on Shares

Share ISIN:	HRHT00RA0005
Trading symbol at Zagreb Stock Exchange:	HT
Trading symbol at Central Depository and Clearing Company	HT-R-A
Reuters:	HT.ZA
Bloomberg:	HT CZ
Type:	Ordinary share
Nominal value:	No nominal value

Investor Relations

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MANAGEMENT BOARD

KONSTANTINOS NEMPIS
President of the Management Board (CEO)

Konstantinos Nempis has held the position of Hrvatski Telekom CEO since 1 April 2019.

He has over 20 years of experience of working in the telecommunications industry, leading national and international teams in Vodafone Greece and HQ and OTE Group in Greece, where he held the position of the Chief Commercial Officer for Residential Customers.

Konstantinos Nempis submitted his resignation at the Supervisory Board session held on 14 December 2023, and effectively 1 July 2024 will conclude his mandate as the President of the Management Board of Hrvatski Telekom, as he is taking over the role of Chairman and CEO of the Management Board of OTE Group in Greece.

MATIJA KOVAČEVIĆ
Member of the Management Board (CFO)

Matija Kovačević was appointed Management Board Member and Chief Financial Officer effective as of 1 August 2022. In his role, Matija is responsible for finance, internal audit, risk management, procurement, real estate management and business transformation.

During his career he held several executive positions in Hrvatski Telekom and Deutsche Telecom Group, gaining extensive international experience. He was responsible for financial and business steering in Deutsche Telekom's subsidiaries in South-East Europe and lead a range of transformation and operating model change projects, as well as controlling of European Head Office unit at Deutsche Telekom. He is also a Member of the Board of Directors of Crnogorski Telekom.

NATAŠA RAPAIĆ
Member of the Management Board and Chief Operating Officer Residential (COOR)

Nataša Rapaić has held the position of Member of the Management Board and Chief Operating Officer Residential since 2013, before which she held several senior management positions within HT Group, which she joined in 2003.

Throughout her career, she was an economic analyst in the Economic Office at the Embassy of Spain, a financial analyst in the investment department of the bank Grupo Caixa Galicia, and a consultant at Madrid-based Europraxis Consulting working on Telefónica Móviles projects.

By Supervisory Board Decision as of 14 December 2023 Nataša Rapaić was appointed President of the Management Board (CEO) of Croatian Telecom effective 1 July 2024.

MARIJANA BAČIĆ
Member of the Management Board and Chief Business Officer (COOB)

Marijana Bačić was appointed as Management Board Member and Chief Operating Officer Business as of 1 September 2022. In this position, she is responsible for Sales, Business Marketing, Business Steering and Channel Management, ICT Business Development.

During her twenty-year career at Hrvatski Telekom, she had a significant role in working with key business customers of the Company, as well as in developing Hrvatski Telekom’s innovative products and solutions that improved the business of companies of all sizes and took part in creating and implementing ICT business synergy within the HT Group.

BORIS DRILO
Member of the Management Board and Chief Technical and Information Officer (CTIO)

Boris Drilo has held the position of Member of the Management Board and Chief Technical and Information Officer since 2017. He is responsible for development, implementation and operation of technological platforms of Hrvatski Telekom, including mobile and fixed networks and IT and business systems.

He previously held the position of HT's Sector Director for managing architecture, strategy and investments within technical functions of Hrvatski Telekom, and that of Member of the Management Board in charge of technology and IT with Iskon Internet d.d., a company fully owned by HT.

He joined Hrvatski Telekom in the 2012, from Ericsson Group, where he had spent 12 years at managerial functions related to the development and application of telecommunications networks and new technologies.

He at the moment also performs the role of the Executive Board Member with Croatian Employers' Association.

IVAN BARTULOVIĆ
Member of the Management Board and Chief Human Resources Officer (CHRO)

Ivan Bartulović has been Member of the Management Board and Chief Human Resources Officer since 2019, and responsible for strategic transformational management that lead to HT's employer satisfaction and engagement reaching all-time highs.

Before joining Hrvatski Telekom he held senior management positions with Intesa Sanpaolo Bank, CEMEX Group and A1 Group, and in case of the latter two was responsible for strategic HR operations on a multi-country level.

He is a Management Council member of Croatian Business Council for Sustainable Development.

SINIŠA ĐURANOVIĆ
Management Board Member and Chief Corporate Affairs Officer (CCO)

Siniša Đuranović was appointed Management Board Member and Chief Corporate Affairs Officer (CCO) in December 2022. In his role he is responsible for coordinating and managing the Company's corporate affairs in regard to strategy, mergers and acquisitions (M&A) and sustainability governance (ESG), legal and regulatory affairs, wholesale, electronic communications infrastructure, business transformation and T-Portal and media and digital services.

During his career with Croatian Telecom, which started in 2000, he has led regulatory and legal functions as well as strategic Croatian Telecom and HT Group projects in Croatia and the region.

He is also a Chairman of the Board of Directors of Crnogorski Telekom, Management Board member of HT holding d.o.o., Supervisory Board member of the public company Hrvatske telekomunikacije d.d. Mostar, and Vice President of Croatian Employers Association ICT section.

He graduated from the Faculty of Law in Zagreb and completed the MBA program at IEDC Bled Business School of Management.

Remuneration to the Management Board

The remuneration and evaluation of the work performed by the Management Board have been conducted in accordance with the Remuneration Policy for Members of the Management Board that was adopted by the General Assembly of the Company as of 10 May 2023. As of 2020, the Company once a year submits to the General Assembly the Report on remuneration paid to the Members of the Supervisory Board and to the Management Board Members in the previous business year. Remuneration Policy and the above stated Report (published together with the Invitation to the General Assembly) are available at the Company web pages at the following link https://www.t.ht.hr/en/investor-relations/report-of-remuneration for a period of ten years as of their adoption. Therefore, a brief overview of Remuneration Policies and payments made to Management Board and Supervisory Board Members in 2023 is given within the Annual Report.

Annual target salary of Management Board Members consists of fixed basic annual salary and performance related variable component, the so-called Short-Term incentive (STI). The STI shall reward the achievement of collective targets over an annual period.

Compensation system also encompasses long-term compensation elements, Long-Term Incentive (LTI), EU Game Changer Incentive Program, and Share Matching Plan (SMP) that can be awarded on top of the target salary as a voluntary long term compensation instrument allowing participation only if targets from the Short-Term incentive Plan are achieved at the level of minimum 100%. The mandatory prerequisite for participation in the SMP is that the executive invests in the share named in the specified plan.

Additionally, to acknowledge extraordinary individual performance and achievements Supervisory Board can grant a Spot Bonus as one-time payment within one calendar year.

Individual compensation agreements can include fringe benefits: company car, accommodation cost, pension fund, scholarship for children, other non-cash benefits and services, depending on individual circumstances of the person in question.

Long Term Incentive Plans for management

Long-term incentive plans (LTI) introduced in 2020, 2021, 2022 and 2023 exist at Group level.

LTI 2019 ended on 31 December 2022 and the Supervisory Board has determined final target achievement and awarded amount of EUR 796,437 which was paid to plan participants in June 2023.

The LTI (Long term incentive) plan initiated in 2023, covers the period from 1 January 2023 to 31 December 2026.

Share Matching Plan (SMP), plan for the award of bonus shares to managers, is active in 2023. The term of the 2023 SMP covers the period from 1 July 2023 to 30 June 2027. Share Matching Plan is obligatory for the President of the Management Board and voluntary for Management Board members.

Company's Shares Award Plan (PDD)

In 2021 the Company's Shares Award Plan (PDD) was launched. Company's Shares Award Plan (PDD) is a voluntary compensation tool under which a member of the Management Board has the option to choose HT shares instead of a pay-out of certain percentage of Short-Term incentive (STI) achieved for the previous year. PDD participants are entitled to a bonus shares according to the ratio 7 awarded shares: 1 bonus share, and all shares must be retained for an uninterrupted period of one year (lock-up period).

Within the Company`s Share Award Plan (PDD) 2023 for the managers, HT shares were transferred to Management Board Members, as follows:

- President of the Management Board (CEO), Mr. Konstantinos Nempis, acquired 1,716 shares
- Member of the Management Board and Chief Operating Officer Residential (COO Residential), Mrs. Nataša Rapaić, acquired 779 shares
- Member of the Management Board and Chief Technical and Information Officer (CTIO), Mr. Boris Drilo, acquired 312 shares
- Member of the Management Board and Chief Human Resources Officer (CHRO), Mr. Ivan Bartulović, acquired 522 shares
- Member of the Management Board and Chief Financial Officer (CFO), Mr. Matija Kovačević, acquired 352 shares
- Member of the Management Board and Chief Operating Officer Business (COO Business), Mrs. Marijana Bačić, acquired 195 shares
- Member of the Management Board and Chief Corporate Affairs Officer (CCO), Mr. Siniša Đuranović, acquired 504 shares.

EU Game Changer

EU Game Changer Incentive Program is introduced in 2022 with the goal to motivate managers to improve customer centricity and the Company's profitability. EU Game Changer covers the period from 1 January 2022 to 31 December 2025 with annual payment instalments. Actual payments are determined by the participant group, the number of years of consecutive overperformance and the average KPI target achievement for the respective plan year.

Compensation paid out to the Management Board members in 2023

Konstantinos Nempis, President of the Management Board and CEO, was paid in 2023 a fixed and variable salary and Long-term Incentive Plan (LTIP 2019) and EU Game Changer in gross amount of EUR 893,036. Fringe benefits amounted gross to EUR 164,238.

Nataša Rapaić, Member of the Management Board and COO Residential, was paid in 2023 a fixed and variable salary and

Long-term Incentive Plan (LTIP 2019) and EU Game Changer in gross amount of EUR 521,901. Fringe benefits amounted gross to EUR 5,267.

Ivan Bartulović, Member of the Management Board and CHRO, was paid in 2023 a fixed and variable salary and Long-term Incentive Plan (LTIP 2019) and EU Game Changer in gross amount of EUR 367,570. Fringe benefits amounted gross to EUR 7,082.

Boris Drilo, Member of the Management Board and CTIO was paid in 2023 a fixed and variable salary and Long-term Incentive Plan (LTIP 2019) and EU Game Changer in gross amount of EUR 436,393. Fringe benefits amounted gross to EUR 7,289.

Matija Kovačević, Member of the Management Board and CFO as of 1 August 2022, was paid in 2023 a fixed and variable salary in gross amount of EUR 192,475. Fringe benefits amounted gross to EUR 8,391.

Marijana Bačić, Member of the Management Board and COO Business as of 1 September 2022, was paid in 2023 a fixed and variable salary in gross amount of EUR 171,986. Fringe benefits amounted gross to EUR 8,739.

Siniša Đuranović, Management Board Member and Chief Corporate Affairs Officer (CCO) as of 8 December 2022, was paid in 2023 a fixed and variable salary in gross amount of EUR 152,497. Fringe benefits amounted gross to EUR 8,461.

Daniel Darius Denis Daub, Member of the Management Board and CFO until 31 July 2022, was paid in 2023 variable salary and Long-term Incentive Plan (LTIP 2019) and EU Game Changer in gross amount of EUR 165,296. Fringe benefits amounted gross to EUR 72,908.

Saša Kramar, Member of the Management Board and COO Business until 1 January 2020, was paid in 2023 Long-term Incentive Plan (LTIP 2019) award in gross amount of EUR 22,249. With this payment, all obligations towards Saša Kramar based on membership in the Management Board of the Company, have been fulfilled.

SUPERVISORY BOARD

Jonathan Richard Talbot	Chairman	Until 30 October 2023 (chairman of the Related Parties Transactions Committee and chairman of the Compensation and Nomination Committee)
Elvira Gonzalez Sevilla	Chairwoman	Member from 10 May 2023 Chairwoman from 31 October 2023 (chairwoman of the Compensation and Nomination Committee)
Ivica Mišetić, Ph. D.	Deputy Chairman	Member from 21 April 2008 until 24 April 2020 (Deputy Chairman from 8 May 2008); From 20 July 2020 (member of the Compensation and Nomination Committee)
Vesna Mamić	Member, workers' representative	From 1 January 2016
Dolly Predovic, Ph. D.	Member	From 29 April 2014 (member of the Audit Committee and member of the Related Parties Transactions Committee)
Marc Stehle	Member	From 16 December 2015 (chairman of the Audit Committee)
Eirini Nikolaidi	Member	From 25 April 2016 until 24 April 2020; From 20 July 2020 (member of the Audit Committee)
Gordan Gledec Ph. D	Member	From 20 July 2020 (member of the Related Parties Transactions Committee)
Jonathan Abrahamson	Member	From 25 April 2022

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board Members has been determined in accordance with the Decision of the General Assembly on remuneration of members of the Supervisory Board as of 20 July 2020.

The chairman of the Supervisory Board receives remuneration in the amount of 1.5 of the average net salary of the employees of the Company paid in the preceding month. To the deputy chairman, the amount of 1.25 of the average net salary of the employees of the Company paid in the preceding month is paid, while any other member receives the amount of one average net salary of the employees of the Company paid in the preceding month.

To a member of the Supervisory Board, who is at the same time the Chairman of the Audit Committee of the Supervisory Board, in the amount of 1.5 of the average monthly net salary of the employees of the Company paid in the preceding month. A member of the Supervisory Board, who is also a member of one board or committee of the Supervisory Board, receives a remuneration in the amount of 1.25 of the average monthly net salary of the Company's employees paid in the previous month. A member of the Supervisory Board who is simultaneously a member of two or more committees of the Supervisory Board receives a remuneration in the amount of 1.5 of the average net salary of the Company's employees paid in the previous month. DT AG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DT AG.

The remuneration of individual Supervisory Board members paid in 2023 is as follows:

		The period of 2023 in which the remuneration was paid		
		From	**To**	**Gross 1 (in EUR)**
Vesna Mamić	Member	1 January	31 December	21,941
Dolly Predovic	Member	1 January	31 December	31,431
Ivica Mišetić	Deputy Chairman	1 January	31 December	32,912
Gordan Gledec	Member	1 January	31 December	21,941
Total				**108,225**

CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

Croatian Telekom Inc. (hereinafter referred to as "HT" or "the Company"), in accordance with Article 250b, paragraphs 4 and 5, and Article 272p of the Companies Act ("Official Gazette" Nos. 111/93, 34/99, 121/99, 52/00 – Decision of the Constitutional Court of RoC, 118/03, 107/07, 146/08, 137/09, 152/11 – clean text, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23 and 130/23), issues the Corporate Governance Code Compliance Statement.

In the year 2023, the Company applied the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange Inc. Zagreb, in effect as of 1 January 2020, and it was published on the web-site of the ZSE (www.zse.hr) and on the web-site of HANFA (www.hanfa.hr).

The Company complies with the recommendations of the Code, with the exception of those provisions that were not or are not practical for the Company to implement at the relevant time or the application of which is not foreseen given the applicable legal framework. These exceptions are as follows:

- The Management Board adopted the following acts and duly informed the Supervisory Board thereon but has not requested its approval (Articles 6, 7, 58, 69 and 83 of the Code). These acts have been published at the web pages of the Company:
  - Code of Conduct
  - Policy on Avoiding Corruption and Other Conflicts of Interest
  - Guideline for Prevention of Conflicts of Interest
  - HT Group Policy Corporate Responsibility
  - Policy on Employee Relations
  - Social Charter

  Given that adoption of these acts falls under the managing of the business affairs, Supervisory Board approval is not foreseen. Within its activities of supervising the managing of business affairs of the Company, the Supervisory Board takes notice of the general matters falling to the managing of business affairs and issues its "Declaration of review". The Company monitors the changes to the legal framework and plans to consider the determination of future decision making in accordance with the changes to the applicable legal framework.

- The Supervisory Board is not composed mostly of independent members, but two out of nine Members are independent. None of them are Chairman or Deputy Chairman of the Supervisory Board (Article 22 of the Code).

- The Compensation and Nomination Committee and the Audit Committee are not composed mostly of independent members (Article 27 of the Code). One of three Audit Committee members is an independent member, while the Compensation and Nomination Committee has no independent members. The majority of Related Parties Transactions Committee Members are independent.

- The Company has not designated a Company secretary (Article 33 of the Code). HT is constituted under the dualistic governance model, with separated management of the business affairs and supervision over the managing of business affairs, and the Secretary of the Management Board and the Secretary of the Supervisory Board has been appointed.

- The Supervisory Board has not evaluated the performance of its individual Members (Article 39 of the Code), however, the Supervisory Board evaluated its effectiveness for the business year 2023. In line with the Companies Act, the General Assembly approves the manner in which the Supervisory Board members supervised the management of the business affairs of the Company and performed their other tasks, by granting approval of actions for the previous business year. An evaluation of individual results is planned for implementation in the future, following the analysis of organizational prerequisites.

- Internal documents of the Company do not prohibit Management Board Members from holding more than two positions in the management or supervisory board of companies not part of HT Group (Article 47 of the Code), instead the provisions of the Companies Act are applied. HT MB members cannot hold management board and supervisory board positions in companies which are not part of HT Group and which are performing the same business activities and competing with HT. For other memberships the approval by the Supervisory Board is necessary.

- The Company has not established a formal mechanism to ensure for minority shareholders the possibility of asking questions directly to President of the Management Board and the Chairman of the Supervisory Board (Article 76 of the Code). Given that the Company has around 150 thousand shareholders, we deem that opening such direct communication channel would lead to their unjustifiable burden. The Company set up mechanisms for shareholders to ask questions by e-mail address for investors (ir@t.ht.hr), with the possibility to pose questions directly to the Management Board and the Supervisory Board at the General Assembly.

- The Company has not made available on its website answers to questions raised at the General Assembly (Article 82 of the Code). Raised questions and answers given are included in the General Assembly Minutes, available to the public in the Court Register. The Company shall consider a future practicality of this option, within the applicable legal framework, i.e., Companies Act and the Court Register Act and the Regulations on the Manner of Entry of Data in the Court Register.

- In line with the Companies Act, the Supervisory Board is solely authorized for the adoption of decisions from its area of responsibility, and the purpose of its Committees is making recommendations and proposals in line with applicable legal framework. Therefore, a direct communication between the Chairman of a Supervisory Board Committee and stakeholders, such as customers, suppliers, etc., is not foreseen (Article 87 of the Code).

INTERNAL CONTROL AND RISK MANAGEMENT

The principal responsibilities of the Audit Committee of the Supervisory Board are the preparation of the decisions of the Supervisory Board and the supervision of the implementation of such decisions in relation to the controlling, reporting and audit activities within HT d.d. and the HT Group. The Audit Committee oversees the audit activities of the Company (internal and external), discusses specific issues brought to the attention of the Audit Committee by the auditors or the management team and makes recommendations to the Supervisory Board. The Audit Committee is responsible for ensuring the objectivity and credibility of the information and of the reports submitted to the Supervisory Board.

The Audit Committee is authorized to:
- Request the necessary information and supporting documentation from the management and senior employees of the Company and from external co-workers;
- Participate at the meetings held within the Company on the issues that fall under the scope of the activities and responsibilities of the Audit Committee;
- Appoint advisors to the Audit Committee on a permanent basis or on a case-by-case basis, if needed;
- Obtain, at the Company's expense, external legal or other independent professional advice on any matter within its terms of reference provided that such advice is needed for the fulfilment of the Committee's scope of activities and responsibilities.

The Corporate Internal Audit of the Company performs an independent audit and control function on behalf of the Management Board and informs managers with comprehensive audit reports (findings and proposed improvements). In July 2017, the Management Board adopted an updated Internal Audit Charter, a strategic document for internal audit performance which defines the framework and the main principles necessary for the work of the internal audit function in HT d.d. and the HT Group. Further updates to the Internal Audit Charter were made in May 2018 and in February 2019.

The main tasks of Corporate Internal Audit as defined in the Internal Audit Charter are evaluating whether:
- Risks relating to the achievement of HT d.d. and HT Group's strategic objectives are appropriately identified and managed,
- The actions of HT d.d. and HT Group's officers, directors, employees and contractors are in compliance with HT d.d. and HT Group's policies, procedures, and applicable laws, regulations and governance standards,
- The results of operations or programs are consistent with established goals and objectives,
- Operations or programs are being carried out effectively and efficiently,
- The established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact HT d.d. and HT Group,
- The information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity,
- The resources and assets are acquired economically, used efficiently and protected adequately.

Financial risk management objectives and policies

The Group is exposed to international service-based markets. As a result, the Group can be affected by changes in foreign exchange rates. The Group also extends credit terms to its customers and is exposed to a risk of default. The significant risks, together with the methods used to manage these risks, are described in detail in the Notes to the consolidated financial statements (Note 41 Financial risk management objectives and policies).

SIGNIFICANT COMPANY SHAREHOLDERS

On the day of issuing of this Statement, significant Company shareholders are as follows:
- Deutsche Telekom Europe B.V. is the majority shareholder with a 53.5 per cent holding. (Deutsche Telekom Europe B.V. is 100% owned by Deutsche Telekom Europe Holding B.V. whose 100% owner is Deutsche Telekom Europe Holding GmbH (former name was T-Mobile Global Holding Nr.2 GmbH). Deutsche Telekom Europe Holding GmbH is 100% owned by Deutsche Telekom AG.).
- The Croatian War Veterans' Fund owns 7.0 per cent of shares of the Company.
- Centar za restrukturiranje i prodaju – CERP (Restructuring and Sale Centre) of the Republic of Croatia (a legal successor to the Government Asset Management Agency) owns 2.7 per cent of shares of the Company.
- The remaining 36.8 per cent of shares are owned by Croatian citizens and by domestic and foreign institutional investors.

Raiffeisen Pension Funds are investors with the largest shareholding among the private and institutional investors, holding 11.2 per cent of shares of the Company.

An up to date list of the top ten shareholders of the Company can be found on the Central Depository & Clearing Company web site (start your search by entering HT-R-A in the browser).

Mr. Konstantinos Nempis, President of the Management Board of Croatian Telecom Inc., owns 6,409 shares in total; Mrs. Nataša Rapaić, Management Board Member of Croatian Telecom Inc., owns 2,337 shares in total; Mr. Boris Drilo, Management Board Member of Croatian Telecom Inc., owns 1,242 shares in total; Mr. Ivan Bartulović, Management Board Member of Croatian Telecom Inc., owns 1,257 shares in total; Mr. Matija Kovačević, Management Board Member of Croatian Telecom Inc., owns 637 shares in total; Mrs. Marijana Bačić, Management Board Member of Croatian Telecom Inc., owns 615 shares in total; Mr. Siniša Đuranović, Management Board Member of Croatian Telecom Inc., owns 1,234 shares in total and Professor Gordan Gledec, Ph.D., Supervisory Board Member of Croatian Telecom Inc., owns 63 shares in total.

APPOINTMENT OF THE MANAGEMENT BOARD, THEIR FUNCTIONS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Members and President of the Management Board are appointed and removed by the Supervisory Board. Their term of office is up to five years, with the possibility of re-appointment. The Management Board consists of between five and seven members. The current composition of the Management Board includes seven positions: President of the Management Board (CEO); MB Member and Chief Financial Officer (CFO); MB Member and Chief Operating Officer Residential (COO Residential); MB Member and Chief Operating Officer Business (COO Business); MB Member and Chief Technical and Information Officer (CTIO), MB Member and Chief Corporate Affairs Officer (CCO) and MB Member and Chief Human Resources Officer (CHRO).

The Company is offering fixed and mobile telephony services as well as wholesale, Internet and data services, organized into two business units, Business and Residential.

The Management Board needs a prior approval from the Supervisory Board for the proposal of any amendments to the Articles of Association at the General Assembly.

AUTHORITIES OF THE MANAGEMENT BOARD MEMBERS

Pursuant to the Companies Act and the Company's Articles of Association, the Management Board has the responsibility for managing the business affairs of the Company. It is obligated and authorized to perform all the activities and to pass all the resolutions that it considers necessary to successfully manage the business affairs of the Company, subject to such approvals as may be required from the Supervisory Board for certain matters and decisions.

The Company may be represented by any two members of the Management Board jointly.

The ongoing Share Buyback Programme (“Programme”) was launched by the Management Board on 28 April 2021, in line with authorization of the General Assembly as of 23 April 2021, with commencement as of 29 April 2021 and lasting until 22 April 2026. The maximum number of shares intended to be acquired within this Programme is 3,000,000, while the maximum amount allocated to the Programme is EUR 79,633,685.05. The purpose of the Programme is to withdraw shares without a nominal value without reducing the share capital, in accordance with the Article 352 paragraph 3 item 3 of the Companies Act, in which case the stake of the remaining shares in the share capital increases and, in a smaller part, to offer them to employees.

In April 2023 the Company transferred 12,770 Company`s shares to managers below Management Board level, within the Company`s Share Award Plan (PDD) for the managers. Within the said Plan, 4,380 Company`s shares were transferred to Members of the Management Board of the Company in May 2023.

During 2023 the Company acquired at Zagreb Stock Exchange in total 808,252 Company shares, representing 1.03% of the Company’s issued share capital. For this acquisition of Company shares in 2023, the Company paid out an equivalent value of EUR 21,190,432.43. The total number of Company shares held on 31 December 2023, amounted to 811,054, in book value of EUR 21,226,327.66, representing 1.03% of the Company’s issued share capital.

In December 2023 the Management Board withdrew 775,842 Company shares without nominal value, without the share capital of the Company being decreased, and the information on the new number of shares has been aligned in the Articles of Association of the Company. Thereby the total number of shares has decreased from 78,775,842 shares to 78,000,000 shares without nominal value, while the remaining shares’ participation in the share capital is being increased. The change of total number of shares of the Company has been entered into the register of the Commercial Court in Zagreb on 2 January 2024.

THE COMPOSITION AND FUNCTIONS OF THE SUPERVISORY BOARD

The Supervisory Board consists of nine members. Eight members are elected by the General Assembly and one is appointed by the Workers’ Council as the representative of the Company's employees. The Supervisory Board is responsible for the appointment and removal of Management Board members as well as for supervising the management of the Company's business affairs. Certain major transactions and the assumption of long-term indebtedness require the approval of the Supervisory Board.

The Supervisory Board established the Compensation and Nomination Committee, the Audit Committee and the Committee for Transactions with Related Parties.

GENERAL ASSEMBLY

Information on the manner of work of the General Assembly and on shareholder’s rights are provided to shareholders within the Invitation to the General Assembly which is publicly announced and made available at the Company web pages, together with the list of frequently asked questions. The Invitation contains, in addition to decision proposals with adequate explanations, instructions for participation and voting at the General Assembly and the overview of shareholder rights to ask questions, request amendments to the agenda, submit counterproposals and the right on information. All other information on the authorizations and the work of the General Assembly and on shareholder’s rights are publicly available in relevant regulations. All General Assembly Decisions, together with voting results, are published at the Company web pages.

SUPERVISORY BOARD REPORT

Pursuant to Articles 263, paragraph 3, and 300.c of the Companies Act and pursuant to Article 31 of the Articles of Association of Croatian Telecom Inc., the Supervisory Board of Croatian Telecom Inc., Zagreb, Radnička cesta 21, (hereinafter referred to as "HT Inc." or "the Company"), consisting, on the day of issuance of this report, of Mrs. Elvira Gonzalez Sevilla, Chairwoman of the Supervisory Board, Mr. Ivica Mišetić, Ph.D., Deputy Chairman of the Supervisory Board, Mr. Jonathan Abrahamson, Mr. Marc Stehle, Mrs. Eirini Nikolaidi, Mrs. Dolly Predovic, Ph.D., professor Gordan Gledec, Ph.D., and Mrs. Vesna Mamić, submits to the General Assembly this

REPORT

on performed supervision during the business year 2023 and on the results of the examination of the business and financial reports for the business year 2023

The content of this report includes:
- in which manner and to which extent the managing of the Company has been monitored by the Supervisory Board during the business year 2023,
- the results of the examination of the annual financial statements as of 31 December 2023 together with auditor's report as well as of the proposal for the utilization of the profit,
- the results of the examination of the Management Board's report on the status of business operations for the business year 2023,
- the results of the examination of the report on relations with the governing company and affiliated companies thereof.

Corporate Profile

On the day of issuance of this report significant Company shareholders are as follows.

Deutsche Telekom Europe B.V. is the majority shareholder with a 53.5 per cent holding. Deutsche Telekom Europe B.V. is ultimately owned by Deutsche Telekom AG.

The Croatian War Veterans' Fund owns 7.0 per cent of shares and Centar za restrukturiranje i prodaju – CERP (Restructuring and Sale Center), legal successor to the Government Asset Management Agency, owns 2.7 per cent of shares of the Company. The remaining 36.8 per cent of shares are owned by Croatian citizens and by other domestic and foreign institutional investors.

Raiffeisen Pension Funds are investors with the largest shareholding among the private and institutional investors, with a 11.2 per cent holding in the Company.

An up to date list of the top ten shareholders of the Company may be found on the Central Depository & Clearing Company web site.

The shares of the Company are included in depository services of the Central Depository & Clearing Company as of 12 July 2002.

The Company's shares have been listed on the Zagreb Stock Exchange since 5 October 2007.

Supervisory Board composition

The Supervisory Board consists of nine members, eight members are elected by the General Assembly and one is appointed by the Workers' Council as a representative of the Company's employees. Out of eight members elected by the General Assembly, two members are independent, i.e., Mrs. Dolly Predovic, Ph.D., and professor Gordan Gledec, Ph.D.

During 2023, the composition of the Supervisory Board of the Company changed as follows:

Mr. Marc Stehle was re-elected as Supervisory Board Member, as of 16 December 2023, and Mrs. Elvira Gonzalez Sevilla was elected as new Supervisory Board Member, as of 10 May 2023, being later elected as the Chairwoman of the Supervisory Board, as of 31 October 2023.

The Chairman of the Supervisory Board, Mr. Jonathan Richard Talbot, resigned from his membership in the Supervisory Board, with effect as of 30 October 2023.

The Workers' Council re-appointed Ms. Vesna Mamić as Member of the Supervisory Board, Workers' Representative, with commencement of her term of office as of 1 January 2024.

Currently, the Supervisory Board is composed of eight out of nine Members and terms of office of three Supervisory Board Members are to expire on 20 July 2024, therefore the Supervisory Board proposes to the General Assembly, planned to be convoked for 8 May 2024, to elect Supervisory Board Members as follows: Mr. André Lenz as of the date of the General Assembly and Mr. Ivica Mišetić, Ph.D., Mrs. Eirini Nikolaidi and professor Vedran Bilas, Ph.D., as as of 20 July 2024.

Supervisory Board Committees

To increase the efficiency of the work of the Supervisory Board, and to ensure the lawful, compliant and appropriate performance of its duties, in consideration of specific requirements that need to be fulfilled, the Supervisory Board established the Audit Committee, the Compensation and Nomination Committee and the Committee for Transactions with Related Parties.

Audit Committee

The Audit Committee was established for the purpose of preparation of Supervisory Board decisions and for the supervision of the implementation of such decisions in relation to the controlling, reporting and audit activities within HT Inc. and HT Group. The Audit Committee oversees the audit activities of the Company (internal and external), discusses specific issues brought to the attention of the Audit Committee by the auditors or the management team and makes recommendations to the Supervisory Board. The Audit Committee is responsible for ensuring the objectivity and credibility of the information and reports submitted to the Supervisory Board.

Pursuant to Article 65 of the Audit Act, all three Audit Committee Members are appointed from among Supervisory Board Members. All three Committee Members are financial experts and one of them is independent.

On the day of issuance of this report Mr. Marc Stehle, Chairman, Mrs. Dolly Predovic, Ph.D., Member, and Ms. Eirini Nikolaidi, Member, are the members of this Committee.

In 2023, the Audit Committee held five regular sessions, with overall participation rate of Committee members at the sessions of 100 percent. Various topics were discussed, in particular:

- 2022 year-end closing of HT Inc. and HT Group;
- Audit Committee Annual Activity Report 2022;
- Recommendation for election of external auditor as of 2023 and approval of the audit fee budget for the year 2023;
- Quarterly financial results of HT Inc. and HT Group;
- External Auditor's Report;
- Risk Reporting for HT Inc. and HT Group;
- Reports of the Compliance officer;
- Implementation and effectiveness of internal control over financial reporting;
- Implementation of Internal Control System;
- Annual audit program 2023 execution;
- Supervision over the realization of audit measures;
- Current developments in the telecommunication market and on the regulatory plan;
- Set up of Annual audit program 2024;
- Preparation of the organization for ESG reporting starting as of 1 January 2024.

Audit Committee finds that in relation to financial reporting, risk management, compliance management system, internal and external audit engagement, there is no indication that internal control system does not work effectively.

Compensation and Nomination Committee

The Compensation and Nomination Committee, encompasses both the compensation / remuneration role and the nomination / appointment role. From the point of view of good corporate governance, the decision to have these closely related topics dealt with by one single body with overall competence does not give rise to any concerns as to the competence and independence of the committee.

The Compensation and Nomination Committee, within its compensation role, reviews the remuneration system and policies for the members of the Supervisory Board and Management Board. The Committee proposes to the Supervisory Board to determine the Remuneration policy for members of the Management Board and Supervisory Board, to be submited to the General Assembly for approval, at least once in every four years, or more frequently, in case of significant changes. The Committee also reviews the Report on remuneration paid to the members of the Supervisory Board and Management Board in the previous business year, compiled jointly by the Supervisory Board and Management Board, to be submited to the General Assembly for approval.

Within its nomination role, the Committee establishes the guiding principles for the selection procedures for candidates to the Management Board and Supervisory Board and their election or re-election and proposes respective candidates for Management and Supervisory Board membership and regularly reviews the structure, size and composition (including the skills, knowledge and experience) required for the Management Board and Supervisory Board Members and makes respective recommendations.

On the day of issuance of this report Mrs. Elvira Gonzalez Sevilla, Chairwoman, and Mr. Ivica Mišetić, Ph.D., Member, are the members of this Committee.

In 2023, the Compensation and Nomination Committee held three sessions and two decision makings out of session, with overall participation rate of Committee members at the sessions of 100 percent, and discussed various topics, in particular:

- Proposals on target-setting and evaluation of target-achievement of the Company and its management;
- Proposals on MB membership and remuneration proposals for MB Members;
- Proposals on SB membership;
- Adoption of the audited Report on remuneration to the Members of the Supervisory Board and Management Board in the business year 2022 and determining the amendments to the Remuneration Policy for Members of the Management Board, for approval of the General Assembly in 2023,
- Results of the self-evaluation of the effectiveness of the Supervisory Board and its committees for the business year 2022.

Committee for Transactions with Related Parties

The Supervisory Board established the Committee for Transactions with Related Parties in July 2019, in line with the Companies Act.

On the day of issuance of this Report, two independent Supervisory Board Members, Mrs. Dolly Predovic, Ph.D., and professor Gordan Gledec, Ph.D., are the Members of this Committee.

In 2023, the Committee for Transactions with Related Parties has not met, since there were no transactions undertaken between the Company and its related parties that would require prior approval, under the requirements of Article 263.b of the Companies Act.

Number of meetings attended by the individual Supervisory Board members during 2023

In line with the recommendation from Article 74 of the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange Inc. (ZSE), below is the attendance list showing each member participation at Supervisory Board and Committee sessions and at decision making out of sessions.

Member of the Supervisory Board	Meeting / Decision making out of session	Attendance	Attendance rate in %
Jonathan Richard Talbot [1]	Supervisory Board session	1/3	33%
	Compensation and Nomination Committee session	1/1	100%
	Compensation and Nomination Committee voting out of session	1/1	100%
	Total	**3/5**	**60%**
Ivica Mišetić, Ph. D.	Supervisory Board session	4/4	100%
	Compensation and Nomination Committee session	2/2	100%
	Compensation and Nomination Committee voting out of session	1/1	100%
	Total	**7/7**	**100%**
Vesna Mamić	Supervisory Board session	4/4	100%
	Total	**4/4**	**100%**
Dolly Predovic, Ph.D.	Supervisory Board session	4/4	100%
	Audit Committee session	5/5	100%
	Total	**9/9**	**100%**
Marc Stehle	Supervisory Board session	4/4	100%
	Audit Committee session	5/5	100%
	Total	**9/9**	**100%**
Eirini Nikolaidi	Supervisory Board session	3/4	75%
	Audit Committee session	5/5	100%
	Total	**8/9**	**89%**
Elvira Gonzalez Sevilla [2]	Supervisory Board session	3/3	100%
	Compensation and Nomination Committee session	1/1	100%
	Total	**4/4**	**100%**
Professor Gordan Gledec, Ph.D.	Supervisory Board session	4/4	100%
	Total	**4/4**	**100%**
Jonathan Abrahamson	Supervisory Board session	2/4	50%
	Total	**2/4**	**50%**

[1] Member until 30 October 2023
[2] SB Member as of 10 May 2023

Results of the self-evaluation of the work of the Supervisory Board and its committees

The Supervisory Board conducted an evaluation of its effectiveness for the business year 2023, led by the Chairwoman of the SB, and on the basis of the recommendations of the Corporate Governance Code the Company is applying. All SB Members participated in the survey.

The Supervisory Board has concluded that the Board and its committees perform their roles and responsibilities appropriately and effectively overall. Structure, size and composition of the Supervisory Board and its committees have been evaluated as adequate and right balanced in terms of knowledge, skills, gender, etc.

The Supervisory Board will continue to implement the best practices in corporate governance and shall further self-evaluate its work and will strive for even greater effectiveness in the future.

Management Board composition

The Management Board consists of five to seven members, and in line with the relevant Supervisory Board Decision on division of competence among Management Board Members, current composition of the Management Board includes seven positions.

The following section lists the changes in the Management Board membership:

Mr. Boris Drilo was re-appointed as Member of the Management Board and Chief Technical and Information Officer (CTIO), for another term of office, with commencement as of 1 January 2023.

Mr. Konstantinos Nempis resigned from the position of President of the Management Board, with effect as of 1 July 2024, and undertakes the role of Chairman and CEO of OTE Group in Greece, and the Supervisory Board appointed Mrs. Nataša Rapaić, Chief Operating Officer Residential (COO Residential), as President of the Management Board, as of 1 July 2024.

The Company is being represented by two Management Board Members jointly.

Performed supervision during the business year 2023

In 2023, four sessions of the Supervisory Board were held.

The quorum for sessions of the Supervisory Board is five Supervisory Board members. The overall participation rate in sessions was around 84 percent.

The Supervisory Board supervised the managing of the Company's business operations and performed other tasks in accordance with the Companies Act, the Articles of Association of the Company and the By-Laws on the Work of the Supervisory Board of the Company.

Aside from the regular reports of the Management Board on the results and status of business operations of the Company, joint consultations on business development and providing respective prior approvals, when required, major topics listed below were discussed in detail:

- Macroeconomic and market trends and regulatory environment;
- Consistent implementation of Company strategy and main targets in the three-years period, with emphasis in 2024 on net margin growth across all segments, acceleration of digital transformation and operating model transformation and differentiation in customer experience, employee engagement and by having a positive impact on the planet and society;
- Net margin growth in all segments of mobile and fixed business and system solutions;
- Best network performance results according to both Umlaut and Ookla measurements;
- Investments in fixed broadband network in commercial segment and in EU co-financed BB rollout program, resulting in total FTTH footprint of 728,000 households, and participation in the second wave of EU co-financed broadband infrastructure development program;
- Preparation of the organization for CSRD/ESRS taxonomy reporting for the year 2024;
- Monitoring external measurements and transformational programs resulting in significant improvemens in TRIM – customer satisfaction index, thus achieving first market position in both B2C and B2B segments;
- ·Employee satisfaction initiatives resulting in record high employee engagement index and internal actractivness level, continuation of career path for all amployees and the conclusion of the new Collective Agreement for the period of three years;
- Alignment of the share capital with the introduction of euro as the official currency in the Republic of Croatia and other proposals for the General Assembly;
- Performances of Crnogorski Telekom A.D. in 2023;
- Business Plans for 2024 and onwards;
- Composition of the Compensation and Nomination Committee and their reports and proposals;
- Audit Committee reports;
- Engagement of the new external auditor;
- Implementation of the Share Buyback Programme at the Zagreb Stock Exchange during 2023 and withdrawal of acquired Company shares without the share capital being decreased;
- Energy Risk Management Strategy and energy efficiency goals, by conclusion of a virtual corporate contract for the supply of electricity from renewable sources (Virtual Power Purchase Agreement - vPPA) for a ten-year period;
- Winning highest spectrum share in the public auction for national and regional mobile communication network frequencies;
- Establishment of the subsidiary company HT Services Ltd., onto which the technological unit of the company Ericsson Nikola Tesla Servisi Ltd. for construction and maintenance of HT network has been transferred;
- Merger of subsidiary company, Iskon Internet Inc., to HT Inc.;

- Informing on matters that fall under the management of business affairs of the Company and issuing of Declarations of review for all business information which are not the subject for approval and which include, e.g., quarterly results, policies that are adopted by the Management Board which are related to areas of corporate responsibility pertaining to environment, community, human rights and risk management connected therewith, prevention of corruption, application of guiding principles, social charter, procurement policy, diversity policy, supplier code of conduct, event policy and policy on accepting and granting of benefits;
- Business and financial performance of the Company and of the Group in 2023.

Results of the examination of the Management Board report on relations with the governing company and affiliated companies thereof

The Management Board submitted to the Supervisory Board the Report of the Management Board on relations with the governing company and affiliated companies thereof (Report of the Dependent Company), compiled in accordance with Articles 474 and 497 of the Companies Act and in accordance with the principles of conscientious and truthful reporting.

In the opinion of the Management Board, the relationships of affiliated companies in the business (calendar) year 2022 in total, realized by contractual affiliating and other undertaken legal actions, were within the scope of ordinary business and entrepreneurial relationships, according to standard conditions and by applying regular prices.

The Company's auditor, Deloitte d.o.o., Zagreb, reported on the results of its audit of the above Report, in accordance with International Standards for Assurance Engagements (ISAE) 3000 (Revised) - Engagements to perform assurance engagements other than audits or reviews of historical financial information and in accordance with the provisions of article 498 of the Companies Act, and issued on 18 March 2024 the Independent auditor's reasonable assurance report on the Related Party Report for the year 2023, containing the conclusion as follows:

Auditor's conclusion

"In our opinion:

a. statements included in the Report are, in all material respects, correct;
b. in legal transactions listed in the Report, based on the circumstances known at the time the transactions were undertaken, the consideration value of the Company was not, in all material respects, inappropriately high;
c. there are no circumstances regarding the measures stated in the Report, that would speak of a substantially different judgment from the one provided by the Management.

The Supervisory Board has no objections to the results of the auditor's examination and statement of the Management Board as listed above.

The Supervisory Board states that the Company, according to the circumstances that were known at the time of undertaking the legal affairs and actions stated in the said Management Board Report, received a respective counter-action for each legal affair, without any damage to the Company.

Results of the examination of the annual financial statements and auditor's report, Management Board Report on the status of business operations for the business year 2023 and the proposal on utilization of profit

The Supervisory Board issued an order to Deloitte, the Company's auditor, for the examination of the annual financial statements for the year 2023.

The Supervisory Board, after considering the audited financial statements for the business year 2023, established that the Company acted in 2023 in accordance with the law, the acts of the Company and the decisions of the General Assembly, that the annual financial statements were made in line with the situation in the Company's ledgers and that they indicate the correct property and business status of the Company. The Supervisory Board has no objections to the auditor's report on the examination of the annual financial statements for the business year 2023.

The Supervisory Board has no objections to the audited financial statements delivered by the Management Board and gives its approval of the delivered audited financial statements. The Management Board of the Company has been informed on the consent of the Supervisory Board to the annual financial statements of the Company and to the consolidated financial statements of HT group for the year 2023 at the Supervisory Board session. The said financial statements are considered adopted by both the Management Board and the Supervisory Board and are to be presented to the General Assembly.

The Supervisory Board has considered the Annual Report on the status of business operations for the business year 2023 and has no objections to the delivered report. Furthermore, the Supervisory Board has no objections to the statement on the Code of Corporate Governance applied, given within the above Report. The Supervisory Board has no objections to the statements made in the answers within the attached Compliance and Governance Practices Questionnaires requested to be completed by HANFA and the Zagreb Stock Exchange and states that the answers given to these questionnaires are to their best knowledge truthful in their entirety.

The Supervisory Board holds the opinion that the proposal of the Management Board on utilization of the profit is in accordance with the business results, is in accordance with the business plan for the current year, protects the Company's and shareholders' interests and is in accordance with the positive regulations of the Republic of Croatia.

Therefore, the Supervisory Board gave its consent to the proposal of the Management Board on the distribution of the net profit from 2023, and that is, that a part of net profit in the amount of EUR 119,340,000.00 shall be paid out as dividend to shareholders, in the amount of EUR 1.53 per share, and the remainder of net profit in the amount of EUR 5,821,197.98 shall be allocated to retained earnings.

The joint proposal by the Management Board and the Supervisory Board on the utilization of profit for 2023 is to be referred to the General Assembly of the Company for decision making.

Summary

The Supervisory Board continually monitored the Management Board's activities in managing the Company business and the Group as a whole.

The Management Board kept the Supervisory Board regularly informed in good time on corporate strategy, planning, business development of the Company and its different segments, status of assets and liabilities, revenues, and organizational and other changes related to the management of the Company's business operations, as well as on the risk management, compliance, innovation focuses, and any deviations in the business development from original plans, and about significant business transactions involving the Company and its subsidiaries.

After analyzing the reports of the Management Board of the Company and monitoring the development in the main business indicators, it was assessed that targets set for 2023 were delivered, despite the challenges in the macroeconomic environment, inflationary pressures and intense competitive landscape. The Company and the Group are reporting very good financial results, represented in revenue and EBITDA growth, capitalizing on mobile, fixed and System Solutions growth, which enabled largest investments in the Company's history, totaling EUR 361.4, including spectrum, and representing by far the leading investments on the market, thus confirming HT's dedication to provide the platform for Croatia's digitalization and future business growth.

In 2023, revenue increased by 5.7% YoY, EBITDA after leases increased by 5.3% YoY and net profit increased by 51.8% compared to 2022. It is concluded that HT Group has successfully responded to market challenges and maintained a leading position in the Croatian telecommunications market across all business segments in 2023.

This report shall be delivered to the General Assembly of the Company.

Elvira Gonzalez Sevilla
Chairwoman of the Supervisory Board

ECONOMIC ENVIRONMENT, MARKET AND REGULATORY OVERVIEW

ECONOMIC BACKGROUND

In 2023, Croatia's GDP increased by 2.8% YoY, supported by strong growth of private consumption amid rising salaries and public investments boosted by the EU funds. Croatian economic growth in 2023 is the second highest in the eurozone (that has average growth of 0.5% YoY). GDP is expected to rise to 3% YoY in 2024, fuelled by stronger growth of personal consumption (due to increased salaries) and higher public investments leveraging EU funds. There are negative risks due to worsening global geopolitical situation.

The average annual inflation in Croatia decelerated to 8.0% in 2023, down from 10.8% in 2022. Key drivers were higher prices for food, beverages, and tobacco (11.6%), services (7.7%) and non-food industrial products (7.6%). In 2023, growth of energy prices experienced a notable slowdown (2.3%) compared with the average increase in 2022 (17.4%). The Government introduced in Autumn 2023 latest package of measures to combat rising prices, worth EUR 0.5bn, effective till April 2024. The package consists of fixed electricity prices for citizens, SME and institutions, capped prices for 30 products in retail stores and financial aid for the most vulnerable citizens. Deceleration of inflationary pressures is expected to continue in 2024.

Following Croatia's entry into the Schengen area and the adoption of the euro, the country's tourist season set new records in 2023. Tourist activity outperformed the in 2022 figures: 20.6 million travellers generated 108 million overnight stays in Croatia, which was 9% and 3% respectively more than in 2022 and nearly reaching pre-pandemic levels of 2019. According to the Croatian National Bank, revenue from foreign travellers in the first nine months of 2023 reached EUR 13 billion, a 11.4% increase from the same period last year. However, considering worsening global geopolitical and macroeconomic situation, the tourist 2024 season will be challenging.

On the labour market, unemployment rate continued to decline with increasing employment and salaries. Total number of employed individuals increased in 2023 by 1.2% on yearly basis, especially among foreign workers (with app. 9% share in total employed workers in Croatia). Average unemployment rate in 2023 was 6.2%, a 0.5 p.p. decrease from 2022. Slower decrease of unemployment rate is expected in 2024, partly influenced by growing employment of foreign workers.

In September 2023, Standard & Poor's credit rating agency confirmed Croatia's credit rating of BBB+ and upgraded the outlook from stable to positive. In October 2023, the Fitch agency also revised Croatia's outlook to positive and affirmed the credit rating at BBB+. In November 2023, the agency Moody's improved the outlook on Croatia from stable to positive, affirming its long-term issuer and senior unsecured ratings at Baa2.

CROATIAN MARKET OVERVIEW

In 2023 competitive landscape was highly intense, with promotional campaigns in mobile, fixed and convergent tariffs. Despite this, Hrvatski Telekom maintained its market leadership position.

In Q1 2023, the Croatian Regulatory Authority for Network Industries (HAKOM) conducted national and regional multi-band spectrum auctions. The national licenses offering spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bands were won by Hrvatski Telekom (HT), A1 Croatia and Telemach Croatia. HT ensured the largest spectrum share and invested EUR 135.5 million in further mobile network development.

January 2023 saw introduction of an Indexation clause within General Terms and Conditions by operators, allowing price adjustment in line with the average yearly inflation rate. In Q3 2023, competitors activated the Indexation clause with increase of the prices of tariffs, bundles and options. HT Group activated the Indexation clause from 1 October 2023.

At the end of July 2023, HAKOM approved deregulation of fiber broadband services in 72 markets across Croatia. This decision is based on the assessment that there is significant competition in these markets, particularly in relation to Hrvatski Telekom and its subsidiary Iskon, who will no longer be subject to price regulations. Deregulation of fiber broadband services came into force at the end of November 2023.

Throughout the year, all operators continued to invest in 5G network and fiber rollout, alongside migration of customers to fiber technology. According to HAKOM, there were 1.098 thousand fixed broadband connections at the end of September 2023, a 2.6% more than at the end of September 2022. The migration of customers to fiber technology continued, primarily those who had previously used copper-pair internet access. The number of fixed broadband connections on fiber network increased by 33% on yearly basis at the end of September 2023. Broadband traffic increased by 27.5% YoY in the first nine months of 2023.

Wholesale

The number of broadband wholesale customers on copper and fiber (BSA/Naked BSA/FTTH) increased by 0.9% compared to December 2022. Share of fiber broadband wholesale access is growing and currently is 11% (compared to 4% at the end of 2022). Wholesale broadband services development is driven by churn of copper-based services and demand for the fiber-based services.

Based on HAKOM's decision from 22 November 2022, new (lower) WACC value was defined, which led to average decrease of HT infrastructure wholesale prices from 1 January 2023. Also, regulated mobile termination rate (MTR) further decreased from 1 January 2023 because of EU Commission Delegated Act.

REGULATORY OVERVIEW

Final decisions on market analysis of wholesale market for central access provided at a fixed location for mass market products (Bitstream) and wholesale market for local access provided at a fixed location (Unbundled local loop) adopted by HAKOM

On 27 July 2023 HAKOM adopted final decisions on market analysis of the wholesale market for central access provided at a fixed location for mass market products and wholesale market for local access provided at a fixed location thereby deregulating HT's fiber in 72 geographic units (local municipalities and Zagreb city quarters) which are deemed by HAKOM as competitive.

Final decisions introduce geographic and service segmentation of the wholesale market for central access provided at a fixed location for mass market products and wholesale market for local access provided at a fixed location:

- Both markets are segmented to Low-Capacity market (includes services offered via copper, hybrid, mobile at the fixed location, and wi-fi networks) and High-Capacity market (includes services offered via fiber and cable networks).
- Low-capacity market was not geographically segmented but defined as a national market (HT would remain regulated as the operator with significant market power, with the same set of regulatory remedies as today). High-capacity market is further geographically segmented into two submarkets based on the level of competitiveness, i.e.:
  - Competitive areas (full deregulation of HT, above mentioned 72 geo-units)
  - Non-competitive areas (HT remains regulated)

New round of analysis of wholesale call termination markets

On 29 June 2023 HAKOM passed decisions in the process of the analysis of the following relevant electronic communications markets:

- Wholesale call termination on individual public telephone networks provided at a fixed location,
- Wholesale voice call termination on individual mobile networks.

Based on the conducted three-criteria tests, HAKOM determined that the mentioned markets are no longer susceptible to ex ante regulation, and consequently the regulatory obligations previously prescribed to HT in these markets were abolished.

Regardless of the relevant wholesale call termination markets analysis, the maximum wholesale mobile and fixed call termination rates remain prescribed by the European Commission Delegated Regulation (EU) 2021/654.

Maximum mobile termination rate in EU is 0.2 eurocents per minute and will be achieved gradually by 2024, facilitated by a glide path. In 2024, all EU operators should apply the same single maximum rate (0.2 eurocents per minute).

Applicable mobile termination rates in Croatia:
- EUR 0.55 cent per minute from 1 January 2022 to 31 December 2022,
- EUR 0.4 cent per minute from 1 January 2023 to 31 December 2023,
- EUR 0.2 cent per minute from 1 January 2024.

Maximum fixed termination rate in EU is 0.07 eurocents per minute from 1 January 2022.

The quoted rates do not apply to calls originating from country numbers outside of the EU. However, there are two exemptions from this rule:

- if a third country operator charges the EU operator with equal or lower rates than those set by the Regulation,
- if a third country is listed in the Annex to the Regulation as a country where termination rates are set on similar standards as in the EU.

Ordinance on conditions for access to, collocation and joint use of electronic communications infrastructure and other associated equipment.

On 15 June 2023 HAKOM adopted new Ordinance on conditions for access to, collocation and joint use of electronic communications infrastructure and other associated equipment. The new Ordinance abolishes the obligation of the owner of ducts to refund other operators for the costs of deployment of their sub-pipes.

Spectrum assignment

Upon completion of the bidding procedure, which began on 16 January 2023, the public auction procedure for assignment of licenses for using radiofrequency spectrum in 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands was completed on 8 March 2023 by the decision of HAKOM on the selection of most favorable bidders.

HT participated in the bidding procedure for 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands at the national level, and after the public auction, HT was awarded 2x10 MHz in 800 MHz frequency band, 2x15 MHz in 900 MHz frequency band, 2x30 MHz in 1800 MHz frequency band, 2x25 MHz in 2100 MHz frequency band and 2x25 MHz in 2600 MHz frequency band. Consequently, from the total offered amount of radio frequency spectrum of 2x270 MHz, HT was awarded 2x105 MHz with which HT maintained its market leading position in terms of spectrum shares for mobile networks.

Total amount achieved in the bidding procedure for the said frequency blocks amounts to EUR 135,314,598.50. In addition to the fee achieved in the public auction, for using the assigned radio frequency spectrum, a fee determined by the By-law on the payment of fees for carrying out of tasks of the Croatian Regulatory Authority for Network Industries is also applied.

Licenses for the use of the radio frequency spectrum are being assigned for the period of 15 years (renewable for another 5 years), validity starting from 19 October 2024.

HT continues to use the previously assigned 2x95 MHz in the above mentioned frequency bands until the new licenses for the use of the radio frequency spectrum begin to be valid.

Annual fees

In December 2022 HAKOM and the Ministry of the Sea, Transport and Infrastructure (MMPI) passed new ordinances prescribing the amounts of annual fees:

- Ordinance on the payment of fees for carrying out of tasks of the Croatian Regulatory Authority for Network Industries (Official Gazette, No. 154/22; HAKOM),
- Ordinance on the payment of fees for right to use of addresses, numbers and radio frequency spectrum (Official Gazette, No. 151/22; MMPI).

As a result of the new HAKOM ordinance from 1 January 2023 the annual fee for the use of radiofrequency spectrum for the public electronic communications network was increased (58% fee increase for frequencies below 3800 MHz, and 20% fee increase for frequencies above 3800 MHz) as well as the fee for performing other tasks of HAKOM (125%).

In March 2023 MMPI passed amendments of the Ordinance on payment of fees for right to use of addresses, numbers and radio frequency spectrum (Official Gazette, No. 37/23), based on which the following annual fees are reduced:

- annual fee for the use of radiofrequency spectrum for public electronic communications networks has been decreased by 50%,
- annual fee for the use of addresses and numbers has been decreased by 30%.

Roaming regulation

The new roaming regulation applicable from 1 July 2022 extends the previous roaming rules until July 2032 and brings new additions to the regulation:

- lower wholesale roaming charges, impacting also retail roaming surcharges amounts:
  - for data services, the new regulation sets the following wholesale caps: 2.00 EUR/GB in 2022, 1.80 EUR/GB in 2023, 1.55 EUR/GB in 2024, 1.30 EUR/GB in 2025, 1.10 EUR/GB in 2026 and 1.00 EUR/GB from 2027 onwards
  - for calls: 0.022 EUR/min in 2022–2024 and 0.019 EUR/min from 2025 onwards
  - for SMS: 0.004 EUR/SMS in 2022–2024 and 0.003 EUR/SMS from 2025 onwards
- roaming providers' obligation to deliver the same quality of service (QoS) to their customers when roaming within the EU as domestically, where technically feasible
- more transparency and additional obligations on QoS, access to emergency services, use of value-added services and on the use of roaming on non-terrestrial mobile networks (e.g., aircrafts, marine vessels).

HT as universal services operator

In June 2022 HAKOM adopted amendments to the Ordinance on universal services in electronic communications, among others, increasing USO speed to 7 Mbit/s download and 1 Mbit/s upload (from current 4 Mbit/s download and 512 kbit/s upload) as of 1 January 2023.

By its decision from 22 September 2022, HAKOM designated HT as USO operator for the period of the following two years, starting from 1 December 2022, for the following services:

- access services (of minimum download speed 4 Mbit/s until 1 January 2023, and of minimum download speed of 7 Mbit/s starting from that date),
- public payphones,
- special measures for disabled,
- special tariffs for users with special social needs.

By its decision from 21 October 2022, HAKOM approved HT's prices and terms and conditions for USO products for the period of next 2 years. HT's technologically neutral USO broadband product, MAX net Mini, was updated as from 1 January 2023, to include new USO speed of 7 Mbit/s download and 1 Mbit/s upload.

In June 2023 HAKOM adopted amendments to the Ordinance on universal services in electronic communications, however, without significant impact on HT. These latest amendments were primarily adopted with aim to ensure consistence of the Ordinance with the new Telecom Act adopted in July 2022.

New Ordinance on the Manner and Conditions of Performing Electronic Communications Networks and Services (Official Gazette of the RoC no. 86/23)

In July 2023, HAKOM adopted a new Ordinance on the Manner and Conditions of Performing Electronic Communications Networks and Services. This Ordinance prescribes detailed rules related to the conclusion of subscriber contracts for the use of electronic communication services. The new Ordinance entered into force on 1 January 2024.

Decision on new value of WACC for HT' regulated wholesale products

On 2 December 2023, HAKOM defined new level of weighted average cost of capital (WACC) in the amount of 4.82% as well as the new level of additional risk premium (RP) for HT's fiber network in the amount of 1.59%.

Due to EU prescribed methodology that does not take into consideration current economic situation of inflation and rise of all costs, newly calculated WACC is slightly higher than the previous one and would be incorporated in new wholesale prices that will be applicable from 1 April 2024 as a result of cost model update done by HAKOM.

CHANGES IN REPORTING

Based on the Merger Agreement concluded on 15 March 2022 between the company Hrvatski Telekom d.d. and the company HT Produkcija LLC (hereinafter: HTP LLC or the merged company), and pursuant to the Assembly decision of the merged company on approval of the merger, on 1 June 2022 the merger has been entered into the Court Register of the Commercial Court in Zagreb. By entry of the merger into the Court Register, the merged company HTP LLC seized to exist. The acquiring company, HT d.d., became the universal legal successor of the merged company, thus entering into all legal relationships of the merged company.

The Group and the Company have an ownership interest of 39.1% in the joint venture HT d.d. Mostar which is incorporated in the Federation of Bosnia and Herzegovina. In 2022, valuation of the investment showed that the assessed recoverable amount is lower than the carrying amount which resulted in impairment of the net book value of investments in the amount of EUR 18,801 thousand (the effect of the impairment in the Company is EUR 12,649 thousand and total effect in the Group is EUR 18,801 thousand). As of 31 December 2023, the investment is still classified as assets held for sale.

On 2 January 2024, Company merged its subsidiary Iskon Internet d.d. With the date of incorporation into the court register, Iskon Internet d.d. ceased to operate as a separate business entity and is no longer active in the court register, while the entire assets and all rights and obligations were transferred to the Company. After the merger, the products and services provided by Iskon will continue to be provided within the portfolio of the Company under Iskon's brand.

On 1 January 2024, a new subsidiary has started operating within the HT Group – the company HT Servisi d.o.o. which main activities are planning and construction of fixed and mobile networks, maintenance of electronic communication infrastructure, supervision of the telecommunications network and field maintenance of active and passive network.

BUSINESS REVIEW

SUMMARY OF KEY FINANCIAL INDICATORS OF HT GROUP AND THE COMPANY

HT Group changed presentation of revenue subcategories in 2022 to align it with management reporting. The above-mentioned amendment had no effect on total revenue.

HT GROUP

Key financial data (EUR thousands)	2022	2023	% of change A23/A22
Revenue	983,504	1,039,335	5.7%
Adjusted EBITDA AL	377,613	397,522	5.3%
Adjusted EBITDA AL margin	38.4%	38.2%	-0.2 p.p.
EBITDA AL	363,920	384,459	5.6%
EBITDA AL margin	37.0%	37.0%	0.0 p.p.
EBIT	125,606	161,390	28.5%
EBIT margin	12.8%	15.5%	2.7 p.p.
Net profit after non controlling interest	86,987	132,029	51.8%
Net profit margin	8.8%	12.7%	3.9 p.p.
CAPEX AL	230,550	220,980	-4.2%
CAPEX AL / Revenue ratio	23.4%	21.3%	-2.1 p.p.

HT GROUP IN CROATIA

Key financial data (EUR thousands)	2022	2023	% of change A23/A22
Revenue	905,359	956,293	5.6%
Mobile service revenues	324,612	341,366	5.2%
Mobile non-service revenues	138,349	167,249	20.9%
Fixed service revenues	294,837	300,102	1.8%
Fixed non-service revenues	73,637	73,359	-0.4%
System solutions	73,924	74,217	0.4%
Adjusted EBITDA AL	349,344	367,360	5.2%
Adjusted EBITDA AL margin	38.6%	38.4%	-0.2 p.p.
EBITDA AL	336,511	354.,965	5.5%
EBITDA AL margin	37.2%	37.1%	-0.1 p.p.
EBIT	119,736	152,451	27.3%
EBIT margin	13.2%	15.9%	2.7 p.p.
Net profit after non controlling interest	87,153	128,553	47.5%
Net profit margin	9.6%	13.4%	3.8 p.p.
Exceptional items [1)]	12,833	12,395	-3.4%

[1)] Mainly related to restructuring redundancy costs and legal cases

HT d.d.

Key financial data (EUR thousands)	2022	2023	% of change A23/A22
Revenue	814,987	868,393	6.6%
Mobile service revenues	326,009	342,562	5.1%
Mobile non-service revenues	138,562	167,274	20.7%
Fixed service revenues	257,847	268,140	4.0%
Fixed non-service revenues	73,567	73,347	-0.3%
System solutions	19,003	17,070	-10.2%
Adjusted EBITDA AL	332,910	354,245	6.4%
Adjusted EBITDA AL margin	40.8%	40.8%	0.0 p.p.
EBITDA AL	320,177	342,638	7.0%
EBITDA AL margin	39.3%	39.5%	0.2 p.p.
EBIT	124,419	153,040	23.0%
EBIT margin	15.3%	17.6%	2.3 p.p.
Net profit	92,218	125,161	35.7%
Net profit margin	11.3%	14.4%	3.1 p.p.
Exceptional items [1]	12,732	11,607	-8.8%

[1] Mainly related to restructuring redundancy costs and legal cases

CRNOGORSKI TELEKOM

Key financial data (EUR thousands)	2022	2023	% of change A23/A22
Revenue	79,152	84,027	6.2%
Mobile service revenues	35,161	37,781	7.5%
Mobile non-service revenues	9,970	10,660	6.9%
Fixed service revenues	24,549	25,869	5.4%
Fixed non-service revenues	6,091	6,154	1.0%
System solutions	3,381	3,564	5.4%
Adjusted EBITDA AL	28,269	30,162	6.7%
Adjusted EBITDA AL margin	35.7%	35.9%	0.2 p.p.
EBITDA AL	27,409	29,494	7.6%
EBITDA AL margin	34.6%	35.1%	0.5 p.p.
EBIT	5,593	8,661	54.9%
EBIT margin	7.1%	10.3%	3.2 p.p.
Net profit after non controlling interest	2,346	6,636	182.8%
Net profit margin	3.0%	7.9%	4.9 p.p.
Exceptional items [1]	859	668	-22.3%

[1] Mainly related to restructuring redundancy costs and legal cases

HT GROUP IN CROATIA

Key operational data [1]	2022	2023	% of change A23/A22
Mobile			
Number of customers	2,305	2,336	1.3%
- Prepaid	917	868	-5.3%
- Postpaid	1,389	1,468	5.7%
Blended ARPU	10	11	5.0%
- Prepaid	5	5	-0.2%
- Postpaid	14	14	4.0%
Fixed			
Fixed voice mainlines - retail[2]	714	705	-1.2%
- ARPU voice per user	8	8	0.3%
Broadband access lines - retail[3]	648	661	2.0%
- Broadband retail ARPU	14	15	1.3%
TV customers	538	539	0.1%
- TV ARPU	12	12	4.2%
Wholesale customers[4]	209	183	-12.3%

[1] Number of customers in thousands, ARPU in EUR
[2] Includes PSTN, FGSM,old PSTN Voice customers migrated to IP platform and Smart packages for business; payphones excluded
[3] Includes ADSL,VDSL, FTTH i Naked DSL
[4] Includes Naked Bitstream + Bitstream + ULL + FA + WLR wholesale rental

CRNOGORSKI TELEKOM

Key operational data	2022	2023	% of change A23/A22
Mobile			
Number of customers	449	478	6.5%
- Prepaid	163	170	4.1%
- Postpaid	286	308	7.8%
Fixed			
Fixed mainlines - retail	102	101	-1.3%
Broadband access lines - retail	83	83	0.4%
TV customers	79	81	1.7%

HT Group highlights

Financial performance:

- Revenue in 2023 grew by EUR 55,831 thousand (5.7%) YoY. Growth is mainly a result of strong performance across consumer and business segments.
- Adjusted EBITDA before exceptional items after leases in 2023 grew by EUR 19,909 thousand (5.3%) YoY. Growth in Croatia is driven by strong commercial momentum and top line growth which has counterbalanced inflationary pressures on operating expenses.
- Net profit after Non Controlling Interest in 2023 grew by EUR 45,042 thousand (51.8%) YoY. Increase is driven by improved EBITDA and more significantly, by positive net financial result due to rising interest rates and non-recurring items.
- The largest investments in HT history, with Capex after lease including Spectrum reaching EUR 361.4m (+50.7% YoY). HT won the largest mobile spectrum share and expanded the largest FTTH network in Croatia by more than 20%.
- Excluding the Spectrum investment, Capex after leases in 2023 declined by EUR 9,570 thousand or 4.2% YoY, down in HT Group in Croatia (EUR 13,663 thousand or 6.4%) and up in CT (EUR 4,093 thousand or 25.4%). Decrease in HT Group in Croatia is driven by phasing of projects, while increase in CT is due to dynamic of TV Content capitalization and increased operational investments.

Residential segment:

- Key marketing initiatives
  - In January 2023, updated General Terms and Conditions to include indexation clause, followed by opening of customer base for 60 days (till 15 March 2023)
  - Indexation clause applied from 1 October 2023, adjusting service prices with inflation with 5% price increase, below both the competition and average annual inflation rate for 2022.
  - Launched "Magenta Moments" – a new customer engagement program in Moj Telekom app, offering exceptional experiences and discounts
  - Leading mobile and fixed network - Umlaut "Best in Test"; the Fastest and largest 5G network - Ookla „Speedtest"
  - Launched "Swap and Save" initiative aimed to collect and dispose old devices, positively contributing to the environment; Supporting increase of T phone share in handset sales
  - Successful Xmas promotion "We are connected by more than just a holiday" – Advent calendar in Magenta Moments and Special Xmas hard sell offer – bring old technical equipment and get 50% discount on great phones
- Mobile
  - Postpaid
    - Launched new Family offer for M1 customers with discounts for additional SIMs
  - Prepaid and Bonbon: Refreshed M4M offer, and launched new Internet SIM offers
  - New option Travel and surf Region covering West Balkans for postpaid and prepaid customers
- Fixed
  - Introduced new fixed service packages providing the best and the safest home experience - highest available Internet speed, simultaneous connection of twice as many devices in one home and the state-of-the-art WiFi6 technology.
  - Launched new unique MAXtv television experience as part of upgrade and modernization – developed platforms for AndroidTV and AppleTV devices
  - Growth of BB supported by deregulation starting from end of November and Home Internet on 5G network - MAX 2 5G product
  - The best sport content offer - All Croatian football on MAX sport– all football matches of the national football league available only for HT customers on MAX sport channel
  - Continued EVO TV promo offers

Business segment:

- Focus on migration to the new Magenta 1 offer, aiming to cross-sell existing customers base
- Digitalization – increasing customer base using digital tools and transactions
- Special offers for customers using "Moj Telekom" App
- Launched "Magenta Moments" – a new customer engagement program in Moj Telekom app
- Customer experience initiatives - Surprise & Delight Christmas 2023, – Flat for 7 days on mobile tariffs
- Mobile
  - Migration to the New mobile portfolio for VSE customers with M4M approach & continued migration on VPN offers in SME and Corporate segments
  - Announced 3G shutdown activities during 2024
- Fixed
  - Migration to the New portfolio for fixed VSE customers with M4M & migration to SD WAN for SME customers
  - Continuous migrations of customers from Copper to FTTH infrastructure
- System solutions
  - Maintaining a focus on profitable managed services business and integrated solutions across Business applications, Security, Infrastructure and IOT/Smart-city.
  - Within the Smart City and Internet of Things HT and Combis continued with the delivery of the One City App project for smart city management in Otočac. HT won another One City App project in Rovinj and signed the contract for two smart parking projects in Zabok. HT participated as a partner in the GALP conference, the largest regional conference for Industry 4.0, where HT presented its' Smart Factory solution.
  - Combis introduced innovative AI technology-based voice assistant to help companies with taking their contact centers to the next level. The solution was introduced at a Fintech conference in November.
  - Combis continued to further improve its solutions and services such as setting 30SEC security in multiple models, Recurring Pentest, new RPA/CRM, Managed Wi-Fi, Cloud No.9, Microsoft Advisory models as well as international portfolio upgrade
  - Combis' employer branding and social responsibility initiative #GetInvolved was again recognized by the profession, and this year we won the Best Employer Brand Adria award due to the success of our #GetInvolved Culture Across Generations campaign for a better Combis and a better society, which responds to the numerous needs of multiple generations of employees characterized primarily by diversity.

Other highlights:

- After the public auction procedure for the radio frequency spectrum in March 2023, Hrvatski Telekom was allocated 2x10 MHz in the 800 MHz frequency band, 2x15 MHz in the 900 MHz frequency band, 2x30 MHz in the 1800 MHz frequency band, 2x25 MHz in the 2100 MHz frequency band and 2x25 MHz in the 2600 MHz frequency band at the national level. As a result, Hrvatski Telekom was allocated 2x105 MHz from the total of 2x270 MHz of radio frequency spectrum offered, which kept Hrvatski Telekom in the leading position in terms of spectrum shares for mobile networks. The total amount achieved is EUR 135.5 million.
- In mobile, for the fifth year in a row, Hrvatski Telekom won the Ookla® Speedtest Awards™ for 'Best Mobile Network', 'Fastest Mobile Network' and 'Best Mobile Coverage' in Croatia.
- By building fiber infrastructure not only in cities but also in sub-urban and rural areas across Croatia, HT has expanded already it's by far the largest fiber-to-the-home (FTTH) network in Croatia by more than 20% YoY, a significant step towards fulfilling the goal of covering more than 1 million households with gigabit fiber speeds.
- In July 2023 HAKOM adopted the final decisions on market analysis of wholesale fixed network access, deregulating HT's fiber in 72 administrative units in urban areas of Croatia, which are by HAKOM deemed as competitive. Deregulation of high-speed networks in competitive areas will enable equal market conditions for all market participants.
- In January 2024 HT has completed integration of Iskon Internet into HT d.d. and has transferred construction and maintenance unit of HT network from Ericsson Nikola Tesla Servisi by acquisition to newly founded subsidiary - HT Servisi d.o.o.
- In December, a new Collective Agreement was signed, set to take effect in January 2024, and is valid for three years. Hereby HT once again affirmed itself as the most desirable employer in the telecom industry, and one of the best in Croatia altogether.

Financials development of HT Group and the Company

Revenue

Revenue of the HT Group in 2023 grew by EUR 55,831 thousand or 5.7% YoY, up in HT Group in Croatia (EUR 50,934 thousand /5.6%) and CT (EUR 4,897 thousand /6.3%). Growth is supported by higher mobile non-service (EUR 29,589 thousand or 19.9%), mobile service (EUR 19,383 thousand or 5.4%), fixed service revenue (EUR 6,577 thousand or 2.1%) and System solutions revenue (571 thousand or 0.7%), while fixed non-service is lower by EUR 289 thousand or 0.4%.

Revenue of the Company grew by EUR 53,406 thousand or 6.6%. The growth is driven by higher mobile non-service (EUR 28,713 thousand or 20.7%), mobile service (EUR 16.553 thousand or 5.1%) and fixed service revenue (EUR 10,293 thousand or 4.0%), offset by lower System solutions revenue (EUR 1,934 thousand or 10.2%) and fixed non-service (EUR 220 thousand or 0.3%).

Mobile service revenue

Mobile service revenue of HT Group grew by EUR 19,383 thousand or 5.4%, up in HT Group in Croatia (EUR 16,754 thousand/5.2%) and CT (EUR 2,629 thousand /7.5%), predominantly driven by the postpaid segment, a result of migration from prepaid to postpaid subscriptions as well as upselling customers to higher value tariff plans.

Mobile service revenue of the Company grew by EUR 16,553 thousand or 5.1%.

HT Group in Croatia

Higher number of postpaid customers is a result of overall push of successful and attractive More-4-More tariffs and handsets as well as successful Bonbon campaigns resulting with solid overall performance. After we refreshed postpaid portfolio and increased competitiveness by including more GB and 5G in all tariffs in 2022, in 2023 HT continued promo activities and best hardware offers focusing on MNP and retention efforts. Additionally, in Q2 new Family offer for M1 customers is launched with additional discounts for each additional SIM. New roaming option Travel and surf Region covering West Balkans for both Postpaid and prepaid customers is introduced in Q3. In Q4 new engagement program Magenta Moments is launched in Moj Telekom app, offering best experiences and discounts from partners. FMS offer Gigabox continues to grow, providing our customers flat internet with mobility functionality without MCD on service and with MCD on router.

In business segment, HT is encouraging medium and large customers to migrate to VPN offer with More-4-More approach. In addition, HT is working on digitization of business customer base with special offers and Magenta Moments engagement program for customers using Moj Telekom App.

Lower number of prepaid customers compared to last year is a result of continuous efforts in migration prepaid customers to postpaid, overall contraction of prepaid market and strong competition. On-going MNP and retention efforts in prepaid segment, as well as focusing on additional value for HT prepaid customers, are being undertaken to mitigate the on-going decline. In 2023 both prepaid brands focused pushing latest offers: More-4-more in Simpa and Bonbon, refreshed Visitor offer as well as Internet SIM (bonbon and new under T brand) for customers interested in data only service (without the possibility of classic calls and SMS).

Visitor data roaming traffic in 2023 is higher than last year, due to higher number of foreign users on HT network and higher usage per customer.

From 1 January 2023, regulated mobile termination rate (MTR) was further decreased due to the EU Commission Delegated Act.

Crnogorski Telekom

CT kept leadership position in total postpaid and in business segment. Leading position in number of mobile internet users was kept as well. Significant activities in mobile network modernisation, coverage and capacity increase is continued through the year, with the aim to provide the best customer experience in Montenegro.

Mobile non-service revenue

Mobile non-service revenue in HT Group grew by EUR 29,589 thousand or 19.9%, up in HT Group in Croatia (EUR 28,900 thousand/20,9%) and CT (EUR 689 thousand /6,9 %), driven by strong handset sales with promotional activities throughout the year and as well as changing handset mix in favour of higher-end models. As a part of the Christmas promotion, record number of customers also returned their used devices while acquiring new ones, also contributing to our ambitious ESG goals.

HT continued with “Swap and Save” initiative, aiming to collect and dispose old devices. Reducing the amount of electronic waste and its disposal are environmental priorities. HT has decided to motivate customers by providing benefits for each returned mobile phone when buying a new device. In addition, HT increased share of own-brand phone within the overall handset sales, emphasizing affordable device with competitive features, premium design and excellent quality.

Mobile non-service revenue for the Company grew by EUR 28,713 thousand or 20.7%.

Fixed service revenue

Fixed service revenue in HT Group grew by EUR 6,577 thousand or 2.1%, up in HT Group in Croatia (EUR 5,256 thousand/1.8%) and CT (EUR 1,312 thousand /5.4%), a result of growth in broadband and TV revenue, offsetting voice revenue contraction, consistent with market trends.

Fixed service revenue of the Company grew by EUR 10,293 thousand or 4.0%.

HT Group in Croatia

Voice decline is driven by the market trend of fixed to mobile and IP substitution, regulation and competitive dynamics. However, HT continues with further proactive and reactive churn prevention offers and activities. To mitigate the ongoing contraction, continuous promo offer for fixed line is in place offering phone connection for EUR 0.13 with 24 MCD accompanied by attractive fixed line tariffs.

In its effort to promote gigabit fiber connectivity, HT continued pushing FTTH offer, 200 Mbit/s speed for all existing customers with possibility to upgrade to 500 Mbit/s or 1 Gbit/s. HT will continue to invest in the development of the fiber network and plans to expand the fiber optical internet zones. Broadband customers can upgrade their connection with Premium Smart WiFi offer, Premium CPE modem and repeater assuring same internet speed in all parts of home and on multiple devices. This offer ensures fast and reliable internet connection at any time. Push of broadband acquisition continued and is supported with FTTH targeted campaigns and MAX 2 5G product – home Internet on fastest 5G network. In Q3 2023 HT introduced new fixed service packages providing the best and the safest home experience with features such as internet speed increased to the highest available, simultaneous connection of twice as many devices in one home and the state-of-the-art WiFi6 technology. Deregulation of BB FTTH offers started from the end of November allowing equal market conditions for all market participants and supporting further broadband growth.

In Small and Medium business segment, HT is promoting migration to SD WAN with More-4-More approach. In addition, in large and medium segment fixed ARPU is boosted by continued upsell/migration of broadband customers to Fiber and professional data services (Metro Ethernet, IP VPN).

MAXtv continues to be standard for the premium television service. At the end of Q3 2023 HT launched a new unique MAXtv television experience as part of its upgrade and modernization. Additionally, platforms for AndroidTV and AppleTV devices have been developed. The richest content, premium picture quality, interactivity, interface, and full integration with mobile devices provide customers a unique TV viewing experience fully adapted to their habits. HT also continued sales activities on DVBT-2 devices. TV acquisitions are supported by best sport content including rights for HNL (Croatian Football League) and all competitions under jurisdiction of HNS (Croatian Football Federation) on two exclusive channels, MAX Sport1 included in basic package and MAX Sport2 included in sport package.

Crnogorski Telekom

Fixed service revenue grew supported by better broadband and TV revenue. Continuous development of optical infrastructure in 2023. resulted in the availability of optical network services reaching a total coverage of 133k households, while the number

of connections increased by 11%.

The migration of customers to the new TV platform during 2023 confirms CT’s position as a competitive player in the market, setting positive trends, quality, and innovation as the basis of the competitive game in the market targets. Also, customer experience measurements show excellent trends, with customers giving a 4 times better rating for the Magenta TV service compared to the old platform.

Fixed non-service revenue

Fixed non-service revenue in HT Group decreased by EUR 289 thousand or 0.4%, down in HT Group in Croatia (EUR 278 thousand/0.4%) and CT (EUR 11 thousand /0.2%), due to lower regulated prices and contracting customer base, as operators continued to migrate customers to their own infrastructure.

Fixed non-service revenue of the Company decreased by EUR 220 thousand or 0.3%.

System Solutions

System Solutions in HT Group increased by EUR 571 thousand or 0.7%, up in HT Group in Croatia (EUR 293 thousand/0.4%) and CT (EUR 279 thousand /8.8 %), while on the Company level it decreased by 1,934 thousand or 10.2%. HT Group growth is driven by Cybersecurity and Cloud projects, with margin generated by the System Solutions business further improving in both absolute and relative terms compared to the previous year.

HT Group in Croatia

Within the Smart City and Internet of Things topics, in the fourth quarter, HT and Combis have continued with the delivery of the One City App project for smart city management in Otočac, with implementation planned to be fully completed within Q1 2024. This application will enable access to municipal services through a web browser and mobile application and facilitate quick and straightforward bill payments. The system supports the dissemination of news and notifications from the city to its residents, along with a centralized city service desk.

HT also won another One City App project in Rovinj, and the implementation phase is already ongoing.

Additionally, HT has signed the contract for two smart parking projects in Zabok. One of the projects is directly contracted with the city, and the other one is with its parking company. Go Live for both projects is expected in Q1 2024. HT also participated as a partner in the GALP conference, the largest regional conference for Industry 4.0, where we presented our Smart Factory solution.

During October and November, we conducted a successful digital campaign promoting HT and Combis ICT services eligible for EU business digitization vouchers under the EU National Plan for Recovery and Resilience 2021–2026. Small and medium enterprises could apply for Digital Business, Omni, Pantheon ERP, Smart Factory, Digital Advisory, CRM, and Cybersecurity services. Given the positive outcome, we plan to repeat the campaign this quarter, aligning with the upcoming public call for EU voucher applications in March.

In October HT launched an offer for existing customers of Moj digitalni ured service, aimed at enhancing our efforts to foster customers loyalty and retaining them. We also launched special promotions for Premium Fiscal register targeting seasonal businesses and for Fleet management service.

Special promotion offer for newly founded companies was introduced in July for Digital Business service.

Combis introduced innovative AI technology-based voice assistant to help companies with taking their contact centers to the next level. The solution was introduced at a fintech conference in November.

In the field of cyber security, Combis was engaged in presenting the new EU regulative NIS 2 to its customers and to a broader audience at the Carnet CUC conference dedicated to the academic community.

Combis continues to further improve its solutions and services such as setting 30SEC security in multiple models, Recurring Pentest, new RPA/CRM, Managed Wi-Fi, Cloud No.9, Microsoft Advisory models as well as international portfolio upgrade. Furthermore, in cooperation with its partner, Combis has organized a specialized ESG reporting workshop to present expertise for the IBM ESG solution and to help its customers to prepare themselves for this EU obligation.

Crnogorski Telekom

System Solutions revenue grew by EUR 279 thousand or 8.8% following growth in managed services.

Operating expenses

Operating expenses include material expenses, employee benefit expenses, capitalised work performed by the Group, net impairment losses and other expenses.

Operating expenses in 2023 grew by EUR 27,960 thousand or 4.8% YoY, driven by HT Group in Croatia (EUR 25,547 thousand or 4.7%) and in CT (EUR 2,413 thousand or 5.1%). Increase is mostly coming from higher material expenses, employee benefits expenses, write down of assets and lower work performed by the Group partly offset by lower other cost. Inflationary pressure on cost was partially contained by continued transformation of operating model and cost efficiency initiatives.

On Company level, operating expenses in 2023 grew by EUR 26,109 thousand or 5.6% YoY. The increase is mostly coming from higher material expenses, employee benefits expenses and write down of assets partly offset by lower other cost and higher work performed by the Group.

Material expenses
Material expenses include merchandise and service expenses, costs of raw material and supplies, as well as energy costs and costs of sold services.

HT Group increase is a result of higher merchandise, service expenses, and cost of raw materials and supplies (EUR 25,871 thousand or 9.5%), partly offset by lower energy cost, and costs of service sold (EUR 3,218 thousand or 8.6%).

On the Company level the increase is driven by higher merchandise, service expenses and cost of raw materials and supplies (EUR 26,858 thousand or 13.5%), partly offset by lower energy cost and costs of service sold (EUR 2,959 thousand or 8.3%).

Employee benefits expenses
The increase of total employee benefits expenses in HT Group (EUR 11.442 thousand or 7,6%) is mainly driven by HT Group in Croatia (EUR 10.615 thousand or 7,7%) by higher salaries, bonuses and higher rights from collective agreement. CT employee benefits expenses increased by EUR 826 thousand or 6.6% comparing to 2022. Total number of FTEs amounts to 4,686 FTEs, which is decrease of 88 FTEs compared to 2022.

Depreciation and amortization
Depreciation and amortization decreased (EUR 13,438 thousand or 4.7%), down in both, HT Group in Croatia (EUR 12,853 thousand or 5.0%) and CT (EUR 585 thousand or 2.3%).

HT Group's and the Company's Profitability

EBITDA before exceptional items after leases

EBITDA before exceptional items after leases in HT Group in 2023 grew by EUR 19,909 thousand (5.3%) YoY, up in HT Group in Croatia (EUR 18,016 thousand/5.2%) and CT (EUR 1,893 thousand /6.7%). Growth in Croatia is supported by strong commercial momentum and top line growth which has counterbalanced inflationary pressures on operating expenses.

EBITDA before exceptional items after leases for the Company in 2023 grew by EUR 21,335 thousand or 6.4% YoY. Growth is driven by strong commercial performance and increasing net margin, offsetting inflationary pressure on operating expenses.

EBITDA before exceptional items after leases equals to operating profit in the financial statements increased for depreciation, amortization and impairment of non-current assets, excluding amortization of Right-of-use assets (Note 8 in the attached audited financial statements), decreased for Interest expense from leases (Note 12 in the attached audited financial statements) and excluding exceptional items.

Earnings before interest and tax (EBIT)

EBIT equals to operating profit in the financial statements.

Net profit after non-controlling interests

Net profit after NCI in HT Group in 2023 grew by EUR 45,042 thousand (51.8%) YoY up in HT Group in Croatia (EUR 41,400 thousand/47.5%) and CT (EUR 3,643 thousand). Increase is driven by improved EBITDA and, more significantly, by positive net financial result due to rising interest rates and several non-recurring items from previous year: the impairment of the net book value of investment in HT Mostar and tax one-timers which had adversely impacted last year's result.

Net profit

Net profit in 2023 for the Company grew by EUR 32,943 thousand (35.7%) YoY. Increase is driven by EBITDA growth, positive net financial result, and lower depreciation, partly offset by higher taxes.

Financial position of the Group and the Company

Balance sheet

On the HT Group level in comparison to 2022 year-end, total asset value increased by 3.6% or EUR 70,845 thousand mainly driven by higher fixed assets and receivables partially offset by lower cash and cash equivalents.

Total issued capital and reserves increased EUR 24,487 thousand (1.5%) compared to 31 December 2022 mainly driven by realized net profit in 2023 partially offset by dividend payout and treasury share buyback.

Total non-current liabilities decreased by EUR 8,838 thousand (9.8%) primarily due to lower content liabilities.

Total current liabilities increased by EUR 55,196 thousand to EUR 288,638 thousand at 31 December 2023 primarily due to higher trade payables.

On the Company level in comparison to 2022 year-end, total asset value increased by 3.1% or EUR 59,429 thousand mainly driven by higher fixed assets and receivables partially offset by lower cash and cash equivalents.

Total issued capital and reserves increased by EUR 17,855 thousand (1.1%) compared to 31 December 2022 mainly driven by realized net profit in 2023 partially offset by dividend payout and treasury shares buyback.

Total non-current liabilities decreased by EUR 7,882 thousand (10.4%) primarily due to lower content liabilities.

Total current liabilities increased by EUR 49,456 thousand to EUR 239,312 thousand at 31 December 2022 primarily due to higher trade payables to third parties.

BUSINESS REVIEW **SUMMARY OF KEY FINANCIAL INDICATORS OF HT GROUP AND THE COMPANY**

Cash flow

Cash flow from operating activities is T-HT Group's principal source of funds enabling the Company to finance capital investments and dividend distributions.

CF from operating activities on the HT Group level increased by EUR 15,615 thousand (4.5%) mainly by favourable working capital and inventory decrease partially offset by other cash flow items.

CF from investing activities increased by EUR 152,648 thousand mainly affected by higher cash capex, higher net investment outflow and lower proceeds from sale of tangible assets.

CF from financing activities decreased by EUR 4,417 thousand (2.3%) mainly affected by lower content repayments and lower treasury shares buyback.

Cash flow from operating activities is the Company's principal source of funds enabling the Company to finance capital investments and dividend distributions.

CF from operating activities on the Company level increased by EUR 1,740 thousand (0.6%) mainly affected by stronger business performance offset by lower working capital and higher income taxes paid.

CF from investing activities increased by EUR 164,451 thousand mainly affected by spectrum payment.

CF from financing activities decreased by EUR 7,623 thousand (4.2%) mainly affected by lower treasury buyback and content repayment.

Capital expenditure after leases (excluding Spectrum) of HT Group and the Company

Capex after leases excluding Spectrum in HT Group in 2023 decreased by EUR 9,570 thousand or 4.2% YoY, down in HT Group in Croatia (EUR 13,663 thousand or 6.4%) and up in CT (EUR 4,093 thousand or 25.4%). Decrease in HT Group in Croatia is driven by phasing of projects, whereas increase in CT is due to dynamic of TV Content capitalization and increased operational investments.

HT Group

CAPEX after leases in EUR thousands	2022	2023	% of change A23/A22
CAPEX after leases*	230,550	220,980	-4.2%
CAPEX after leases/ Revenue ratio	23.4%	21.3%	-2.1 p.p.

HT Group in Croatia

CAPEX after leases in EUR thousands	2022	2023	% of change A23/A22
CAPEX after leases*	214,450	200,787	-6.4%
CAPEX after leases/ Revenue ratio	23.7%	21.0%	-2.7 p.p.

Crnogorski Telekom

CAPEX after leases in EUR thousands	2022	2023	% of change A23/A22
CAPEX after leases	16,099	20,192	25.4%
CAPEX after leases/ Revenue ratio	20.3%	24.0%	3.7 p.p.

HT Group

IFRS 16 CAPEX in EUR thousands	2022	2023	% of change A23/A22
IFRS 16 CAPEX - HT Group	33,870	45,409	34.1%
IFRS 16 CAPEX - HT Group in Croatia	32,843	40,432	23.1%
IFRS 16 CAPEX - Crnogorski Telekom	1,027	4,978	384.9%

*CAPEX after leases excluding Spectrum

HT Group

Total CAPEX (Booked + IFRS 16 Capex) in EUR thousands	2022	2023	% of change A23/A22
Total CAPEX	264,419	266,389	0.7%
Total CAPEX/ Revenue ratio	26.9%	25.6%	-1.3 p.p.

Capex after leases excluding Spectrum on the Company level in 2023 declined by EUR 9,695 thousand or 4.9% YoY.

HT d.d.

CAPEX after leases in EUR thousands	2022	2023	% of change A23/A22
CAPEX after leases*	198,722	189,027	-4.9%
CAPEX after leases/ Revenue ratio	24.4%	21.8%	-2.6 p.p.

IFRS 16 CAPEX in EUR thousands	2022	2023	% of change A23/A22
IFRS 16 CAPEX	32,238	39,763	23.3%

Total CAPEX (Booked + IFRS 16 Capex) in EUR thousands	2022	2023	% of change A23/A22
Total CAPEX	230,960	228,790	-0.9%
Total CAPEX/ Revenue ratio	28.3%	26.3%	-2.0 p.p.

*CAPEX after leases excluding Spectrum

Hrvatski Telekom continued fiber optic network deployment in the Fiber To The Home topology (FTTH), achieving an over 20% increase in coverage by the end of 2023 thus confirmed the leading market position in the availability of fiber optical networks. The development of the FTTH included networks co-financed by EU funds, highlighting the importance of this project for regional infrastructure development.

Optical based access network (FTTx), which in addition to the design of Fiber To The Home (FTTH) includes implementation of the Fiber To The Building (FTTB) and Fiber To The Cabinet (FTTC) using vectoring and super-vectoring technology, is available for 915 thousand households.

The strong growth of the mobile network traffic continued throughout 2023, however, the quality of the user experience remained at a high level, due to targeted capacity expansion through 5G network.

Hrvatski Telekom concluded the year 2023, recognized as the leading fixed and mobile network according to high standards of network performance confirmed by different independent benchmark measurements. HT's fixed network is the best rated fixed broadband in Croatia according to results of extensive umlaut analysis. In the mobile segment, Ookla measurements confirmed HT as the best and fastest mobile network in Croatia, and one with the best coverage. On top, the analysis by Croatian regulator HAKOM (in cooperation with Net Check) also confirmed that HT has the best mobile network.

In 2023, 83% network function cloudification was achieved, accelerating the journey to a more agile and efficient cloud-based network.

The overall stability of the HT network is maintained at a high level. During 2023, there were no network incidents of the most severe category, while in other categories a further improvement in overall stability was recorded compared to the previous year.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

HT d.d. sustainability strategy reflects the ambition of the entire HT Group to be a digital and sustainable telecommunications company focused on creating value for all stakeholders - customers, employees, shareholders, partners, and the whole society. The long-term vision of sustainability is an integral part of our business strategy to achieve sustainable and profitable growth and connect everyone in Croatia with the opportunities of digitalization.

As a socially responsible company, we integrate and systematically implement all three ESG dimensions in our operations and strategic decision-making.

We consider this to be our crucial contribution, and we remain committed to it. Our approach to sustainability is based on three key activity areas: climate change, resource efficiency, and digital inclusion. We are focused on efficiently using resources, reducing greenhouse gas emissions, and creating a better future for everyone.

Our largest-ever investments, the construction of critical ICT infrastructure, the implementation of our sustainable development strategy, exemplary corporate governance, and the implementation of socially responsible programs aimed at reducing the digital divide, resulted not only in the achievement of our ambitious ESG goals, international and domestic awards, and recognition for the best network, setting industry standards, the greatest satisfaction of customers and employees, winning the Croatian sustainability index award for the third consecutive year, but also made the entire ecosystem more sustainable in business and life. We consider this to be our crucial contribution, and we remain committed to it.

Digital society

The social component of our sustainability strategy focuses on relationships among employees, with customers, suppliers, and the community. We strive to positively influence society by connecting everyone in Croatia with the opportunities of digitalization, promoting equality, inclusion, and diversity in building a better future. Digital inclusion primarily reflects our belief in digital technology's power to improve everyone's quality of life and drive positive changes. We strive to create a more equal and connected world for everyone by promoting inclusion and breaking down digital barriers. Three key factors support the goal of enabling equal access to digitalization for all members of society - the availability of high-speed networks, the accessibility of services and devices, and the development and promotion of digital competencies. We ensure the availability of affordable devices and services for everyone, regardless of financial status or level of digital literacy. We implement and design various programs and initiatives that provide people of all ages, from children to older people, with the newest education, allowing them to acquire and develop the necessary digital skills, with the ultimate goal of creating a society where there is no digital inequality. Our mission is to ensure equal opportunities for everyone to be included in the digital society so that no one misses out on the digital world.

"Tools for Modern Times" program

In 2023, in cooperation with the Faculty of Education and Rehabilitation (ERF) of the University of Zagreb, we launched the "Tools for Modern Times" program, the first structured and science-based program whose goal is to prevent risky behaviour among elementary school students and adolescents in a virtual environment. The program's first phase includes the participation of more than 100 schools from 17 counties. In the coming years, we plan to cover the entire Croatia.

Generation NOW program

Over the past year, the Generation NOW program, with which we promote STEM education and which we implement with the Institute for Youth Development and Innovation, included more than 140 schools and other educational institutions. More than 1,400 students had the opportunity to use cutting-edge technologies to improve their competencies.

National digital education program for seniors Generations Together

The Generations Together program, in which 57 nursing homes across Croatia have participated so far, continued in 2023. Through the engagement of HT volunteers and cooperation with the Association for the Education of Citizens Split, we conducted multi-day workshops on using the internet, useful apps, and other digital tools for seniors.

Digital innovation incubator

Hrvatski Telekom is also the general partner of the Digital Innovation Incubator, an online project in which students of all faculties learn about creativity and innovation, connect with leading companies in the region, and develop applicable innovative solutions in selected industries. In 2023, more than 2,000 primary and secondary school students and university students from all over Croatia participated in the project.

Volunteers Club

The HT Group volunteers club, which has 230 enthusiastic colleagues ready to help, continued its activities in 2023. Our volunteers happily participated in the Generations Together program, in the reforestation of Sljeme, we helped the Mali Zmaj Association in their regular campaigns, we collected supplies for the Maestral children's home in Split and the Autonomous Women's House in Zagreb, and we also organized a donation contest in which employees selected five initiatives as recipients of HT's Christmas donation. The Zagreb Volunteer Center awarded us an important recognition for our volunteering engagement in 2023 in the business sector.

How Are You?

How Are You? campaign aimed to raise awareness of the importance of communicating with loved ones and taking care of mental health, was declared the best socially responsible campaign in all of Europe at the "European Excellence Awards 2023", and the Deutsche Telekom Group recognized the campaign as one of five best projects.

World of Equal Opportunities

Inclusion is an integral part of our activity and business. With digital inclusion, we want to contribute to society so that everyone has equal opportunities and all the opportunities to realize their potential. Through the World of Equal Opportunities platform, we focus on raising public awareness of how digital technologies can contribute to a fairer society of equals.

Smart cities

In 2023, Hrvatski Telekom continued to develop various smart city offerings based on recognizable advanced solutions for e-mobility, smart parking, smart monitoring of energy consumption, and smart lighting. At the Mobile World Congress, the world's largest mobile industry fair, Hrvatski Telekom presented smart city solutions implemented in Dubrovnik, recognized as one of Deutsche Telekom's best practices.

In cooperation with the city of Split, Hrvatski Telekom realized the project of creating a Split Smart City platform that will represent the digital transformation of city services and enable citizens to have quick and straightforward two-way communication with city services.

Next-generation broadband access construction projects in ten counties

We continued to build next-generation broadband access in ten counties in Croatia in 2023. It will enable fast (+40 Mbit/s) and ultra-fast (+100 Mbit/s symmetrical) broadband access for almost 150 thousand new users in cities, municipalities, and suburban and rural areas across Croatia. The 13 Partnership Agreements are integral to the Public Call of the Ministry of Regional Development and EU funds for constructing next-generation access networks.

Digital transformation of factories

We also continued to partner with Culmen on the 100 smart factories project to enable simpler digitalization and application of Industry 4.0 in Croatian factories, whereby Hrvatski Telekom, as a technology partner, provides factories with a portfolio of infrastructure services and the possibility of using the contemporary HT IoT platform and HT MES platform. As part of the complete Industry 4.0 offering, customers can access an app that monitors real-time production to raise quality control and further digitalize the process. Last year, HT also successfully implemented its new ICT product, MES - Smart Factory, in several domestic companies.

Private 5G campus network

Hrvatski Telekom and the Zagreb Faculty of Mechanical Engineering and Naval Architecture (FSB) have signed a business cooperation agreement for a private 5G Campus network and the practical application of solutions for smart factories in the FSB R&D lab. The private 5G Campus network at the FSB will be used for laboratory and auditory exercises and final, graduate, specialist, and doctoral theses.

WiFi4EU

Through the WiFi4EU program co-financed by the European Union, Hrvatski Telekom has implemented WiFi in more than 50 cities and municipalities in Croatia. The fact that municipalities, towns, and cities in these projects select Hrvatski Telekom proves that the company has been recognized as a reliable technological partner that can provide quality internet access that increases economic activity and quality of life for citizens in urban and suburban communities.

Responsibility towards environment

Sustainable development and climate protection are strategic determinants of HT and the DT Group. In 2023, HT continued to use CO2-neutral electricity for 100 percent of its consumption. The first corporate agreement on the main conditions for the Virtual Power Purchase Agreement (vPPA) in Croatia marks a major structural energy transition. It is an essential step towards securing the necessary energy for HT's operations from RES, which will at the same time directly contribute to HT's ambitious ESG goals.

Call you have to take

We kicked off the Call you have to take, Hrvatski Telekom's platform focused on environmental protection, more efficient use of natural resources, circular economy, conscientious management of electronic equipment and waste, and other sustainability topics. Through it, HT intends to contribute even more and highlight the importance and the necessity of responsible action in environmental protection. A part of it is also a campaign to collect small ICT equipment in all T-Centers throughout Croatia. We have thus improved the process of collecting obsolete devices that users no longer use and their proper disposal and recycling of valuable raw materials.

Certificates

HT focuses on implementing green technologies and solutions that save energy and have a favourable effect on creating a society with reduced greenhouse gas emissions. The entire DT Group is committed to important climate and environmental goals. To achieve them, we systematically increase energy efficiency by investing in the latest technologies and implementing numerous measures and solutions to reduce energy consumption while maintaining the status of a leading network. In addition, by introducing cutting-edge ICT technologies and services, we reduce our and our users' carbon footprint.

In 2023, we are still the proud holder of the ISO 9001, ISO 14001, ISO 45001, ISO 27001 and EcoVadis certificates, and we also obtained a certificate for business continuity management according to the ISO 22301 norm.

CORPORATE SOCIAL RESPONSIBILITY

Employee development

In line with our commitment to high standards of employee satisfaction and engagement, Hrvatski Telekom regularly conducts related research. After a series of exceptional results over the past few years, extremely high employee satisfaction was achieved again in 2023.

Hrvatski Telekom employees' satisfaction and engagement results, among the highest within DT Group, stem from structured career management, which was achieved by introducing a career path process that enables clear rules for advancement, job changes, and development. A new Collective Agreement was signed in 2023, confirming HT's status as the most desirable employer in the telecommunications industry. It provides employees with the highest level of social and material rights, and thus, HT responded to the challenges of inflation that all employees face today.

An integral part of the development of HT as a digital company is raising the level of knowledge internally through development programs and programs for acquiring new skills and continuous investment in employees. Our employees can learn through a digital platform offering more than 23 thousand online courses. We are proud that over the last four years, we have continuously increased the number of completed online educations by an average of 80 percent per year, providing modern learning tools and enabling employees to show initiative and seek continuous training adapted to the specific needs of target groups of employees.

We have identified talents from all company areas, and we develop their careers individually to maximize competencies, engagement, and motivation. The talent program continued in 2023.

Thanks to numerous initiatives dealing with key topics for employees, HT Group was the most awarded employer in 2023 and won eight 'Employer Brand' awards for practices, projects, and activities carried out by employers, resulting in exceptional satisfaction, experience, and employee engagement, and consequently a better user experience.

For our excellence in human resource management, continuous improvement of work processes, and following global trends, we have again received the status of Employer Partner. As one of the best employers in Croatia, we also received the "Above and Beyond" recognition of excellence.

Caring for employees' physical and mental health and safety remains the highest priority at Hrvatski Telekom. Along with the continuous adjustment of instructions and guidelines for occupational safety in line with the requirements of workplaces and the general health situation, in 2023, we continued actively promoting and implementing vaccinations and carried out many campaigns to encourage a healthy lifestyle. Here are just a few highlights – organizing flu vaccinations for HT employees in all regions in cooperation with the Institutes of Public Health; marking the World Hypertension Day by organizing seminars in all regions, in collaboration with the Croatian Red Cross; procurement of automatic external defibrillators for the largest facilities in Zagreb, Split, Rijeka, and Osijek, as well as upper arm sphygmomanometers; "Health Polygon" initiative carried out in cooperation with the Croatian Institute of Public Health at HT locations in Zagreb, Split, Rijeka, and Osijek, where employees could measure blood pressure, blood sugar levels, and educate themselves on several topics on how to preserve health; the organization of ergonomic training as part of a preventive program that includes awareness and practical education on the effective use of the work space; "Health Month" in May, which included more than 20 different health, sports, recreational, and educational activities; organization of well-being training aimed at protecting mental health on the topics of stress resistance, change management, balance of work and personal life, diversity, fairness and inclusion; organization of the "Traffic safety and traffic prevention" seminar, in cooperation with the Croatian Auto Club; practical evacuation and rescue drills, in collaboration with the Public Fire Department and Emergency Medical Services.

All investments and efforts in preserving the health of employees were rewarded with the external certificate "Health Friendly Company", which the Croatian Institute of Public Health awards to companies that enable their employees to adopt healthy lifestyle habits, promote health in the workplace, and show positive concern for the health of employees, consumers, and clients, and environmental protection.

Responsible business in HT Group members

COMBIS

Community

We donated funds to one of the best secondary schools in the country, the Zagreb V. gimnazija, by purchasing a picture signed by artificial intelligence. For the occasion of the feast of St. Nicholas, we bought 130 picture books from the Center for Missing and Abused Children and donated them to the hearing and speech rehabilitation clinic "Suvag".

Combis cooperated with the Center for Missing and Abused Children in designing picture books from the "Fairy Tales in the Digital World" collection, which have an important purpose - to educate children about safety online. All proceeds from sales go to the Center for Missing and Abused Children. 'Fairytales in the digital world' are part of an extensive educational campaign about online security and growing Combis' recognition as a company with the highest security expertise. It may not be easy to talk about technology in a simple way, but with effort and good communication, one can talk about everything and create an atmosphere of trust, which is an integral part of the formula by which the Combis team tries to answer the question of what is needed to be safe in the digital world.

Knowledge society

The online discussion format DiscussIT "Innovations for a better society" was raised to a new level with a one-day conference featuring interesting case studies with users, followed by a panel, this time on the positive impact of IT on trade and distribution.

Combis also supported VMware vForum, CarnetCUC, F2 Future of Fintech conference, and in 2023, again participated in the Good Game Global humanitarian tournament.

ISKON

Environmental Protection

A big step forward was made in educating customers on ecologically conscientious actions with a particular focus on e-invoices, resulting in the largest annual increase in e-invoice users.

The first main phase of the SUPEER research project, co-financed by the European Union for optimizing electricity consumption in Croatian households, has also been completed. After the successful completion of technical and administrative EU audits, the project on which Iskon partners with FER, Sedam IT d.o.o., HEP ODS, and the Hrvoje Požar Institute enters the commercialization phase.

Volunteer and sponsorship activities

Last year, Iskon celebrated the fifth anniversary of its cooperation with the Unison Association on the Rock&Off project. The goal is to draw the public's attention to quality and continuous creativity in the local music scene. With a substantial involvement of volunteers, Iskon and partners also organized a musical Rock&Off six-day camp in Šibenik for 19 children aged between 12 and 15 without adequate parental care from the Lipik community service centre. The year ended with the Rock&Off School of Music Journalism, open for all interested persons aged 16 to 25 free of charge.

CRNOGORSKI TELEKOM

Digital society

In line with its strategic commitment to encouraging young people to engage in STEM and directing them to develop innovations and digital solutions in various fields, Crnogorski Telekom supported many activities in education. Crnogorski Telekom thus endorsed one of the world's largest math competitions for children, Kangourou sans Frontières. They also supported the competition for young programmers as part of the partner Cortex Academy (the largest online and hybrid platform for education in Montenegro). They spent several months developing web and mobile apps while Telekom's representatives mentored one team that worked on that project.

Crnogorski Telekom continued to implement the Free Internet in Schools project in 2023, thanks to which almost all Montenegrin schools receive free internet necessary for their daily needs. To give everyone equal access to new technologies in rural and suburban parts of the country, where there is no possibility of bringing fiber optics or other landline technologies, Crnogorski Telekom provides free mobile internet to schools. This continued a decade and a half long and over half a million-euro worth of cooperation with the Ministry of Education since Crnogorski Telekom has been providing free broadband internet to all Montenegrin primary and secondary schools and pre-schools since 2007.

Environmental Protection

In April 2023, Crnogorski Telekom launched an extensive green campaign that raised users' awareness of the importance of recycling and responsible electronic waste management. Crnogorski Telekom also announced that for the first 100 recycled old devices, it will organize the planting of 100 trees in the Montenegrin cities.

They also launched a large donor initiative for a campaign to plant trees in the park forest of Gorica (Podgorica), destroyed by a big fire last year. All Telekom postpaid and prepaid users could thus donate 1 euro through the Telekom ME application, and Telekom matched each donation.

The Telekom Volunteer Club participated, through volunteering and donation, in the largest volunteer effort that takes place once a year around the world and was organized in Montenegro for the occasion of International Coastal Cleanup Day. At the same time, Telekom promoted the importance of recycling old devices by rewarding users with free gigabytes and discounts on devices for those who bring old devices to T-Centre for recycling.

Crnogorski Telekom's Volunteer Club

Crnogorski Telekom's Volunteer Club and the Montenegrin Blood Transfusion Institute organized a voluntary blood drive among employees, and volunteers traditionally participated in the humanitarian Christmas Diplomatic Bazaar. This year, Telekom again supported the humanitarian initiative, thanks to which hundreds of children from all over Montenegro received humanitarian packages with food and school supplies.

Ratio of women in executive positions

The Supervisory Board set a goal in 2023 to keep female ratio in executive positions at minimum of 40 percent. Women currently make up for 50 percent of Supervisory Board membership and 29 percent of Management Board membership. Woman is the Chairwoman of the Supervisory Board as of 31 October 2023 and as of 1 July 2024 a woman shall be the President of the Management Board. Women hold 39 percent of managerial positions, while 39 percent of all employees are women.

In relation to the year 2022, in 2023 progress has been achieved with respect to ratio of women in the Supervisory Board (50 percent compared to 44.4 percent), while the achieved percentage in managerial positions is very close to the minimal level, with the goal to achieve over the minimal level in the upcoming periods, in line with the realistic conditions for individual improvement, given that female work force is not predominant in the telecom industry (39 percent of all employees are women).

Taxonomy Regulation

Based on the obligation from Article 8 of the Regulation on the establishment of a framework for facilitating sustainable investments 2020/852 and the Delegated Regulation 2021/2178 on the publication of the content and presentation of information on environmentally sustainable economic activities, information on the share of taxonomically acceptable and taxonomically unacceptable economic activities in revenues, capital expenditures, and operating expenditures for all six objectives of the EU taxonomy prescribed by Delegated Regulation 2023/2486 and Delegated Regulation 2023/2485 and the share of taxonomically acceptable economic activities that significantly contribute to climate change mitigation and adaptation to climate change aligned with the technical verification criteria defined by Delegated Regulation 2021/2139 in revenues, capital expenditures, and operating expenses, the Company will publish, in the manner and within the deadlines as regulated for non-financial reporting by articles 21.a and 24.a of the Accounting Act (Official Gazette no. 78/15, 134/15, 120/16, 116/18, 42/20, 47/20), at the latest by the deadline from Article 30, paragraph 5 of the Accounting Act, on Hrvatski Telekom's website, i.e., under the applicable regulations.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hrvatski Telekom d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Hrvatski Telekom d.d. (the Company) and consolidated financial statements of the Hrvatski Telekom d.d. and its subsidiaries (the Group) which comprise the separate and the consolidated statement of financial position as at 31 December 2023, the separate and the consolidated statement of comprehensive income, the separate and the consolidated statement of changes in equity and the separate and the consolidated statement of cash flows for the year then ended, and notes to the separate and the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter

How we addressed key audit matter

Revenue recognition

Refer to Note 2.3.1 Significant accounting estimates - Revenue recognition, Note 2.4. (p) Revenue recognition and Note 4 Segment information of the financial statements.

We consider revenue recognition as a key audit matter due to following:

a) the accounting complexity;

Revenue recognition is based on various significant assumptions (i.e. statistical data, manual adjustments, determination of standalone selling price, financing component assessment etc.).

b) the complex structure of the IT systems;

Due to the business model and its wide range of services, the accurate recognition of revenue in the separate and consolidated statement of comprehensive income, in compliance with the International Financial Reporting Standard "Revenue from contracts with customers" (IFRS 15), requires the coordinated interaction of a variety of complex IT systems, in which a high number of transactions are initiated, processed and invoiced in an automated manner.

In order to assess risks of material misstatement, we first obtained an understanding of the process and the internal controls related to the recognition of revenue by taking into account the corporate environment and the applicable accounting standards.

To the extent that identified controls were relevant to our audit of revenue account, we tested the controls for design and implementation. This testing of design and implementation covered both manual controls and automated controls in the IT systems used for the purposes of revenue recognition.

In the IT systems that are important to the implementation of controls, we tested the general IT controls – particularly those that ensure authorized access, system operation and changes in relation to these systems. In this part we involved IT specialists.

Key audit matter (continued)

How we addressed key audit matter (continued)

Revenue recognition

In view of the dynamic development of these complex services, the recognition of revenue, with the correlated IT systems, was of particular significance in the scope of our audit.

As a result of the above factors as well as significance of revenues to the financial statements, the revenue recognition is considered as a key audit matter.

On the basis of the risks of material misstatement identified in the scope of audit procedures, we selected manual and automated controls as well as related general IT controls from the controls relevant to the audit, with respect to revenue recognition. Subsequently, these controls were tested for operating effectiveness to assess their effectiveness in the reporting year. In this process, too, we involved IT specialists.

Apart from testing the operating effectiveness of controls, we performed the following procedures in response to identified risks of material misstatement;

By involving IFRS 15 specialists, we assessed for selected business models as to whether the accounting policies defined for these models, result in revenue recognition according to the requirements of IFRS 15.

We tested the reconciliation of transaction data recorded in the IT systems to the revenue reported in the general ledger for accuracy and completeness. This also included the examination of manual adjustment postings.

Furthermore, we used data analysis tools to generate evaluations of different revenue flows over time and analyzed deviations from expected trends. We examined the customer and contract data used in the analyses by comparing the related contracts with the corresponding data in the master data systems on a sample basis.

Other Matter

The financial statements of the Company and the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on the financial statements on 14 March 2023.

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement (but does not include the separate and consolidated financial statements and our auditor's opinion thereon), which we obtained prior to the date of this auditor's report, and the Non-financial report, which is expected to be made available to us after that date. When we read the Non-financial report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

In connection with our audit of the separate and the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in the Articles 21 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act.

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

1. Information included in the other information is, in all material respects, consistent with the attached separate and consolidated financial statements.

2. Management Report has been prepared, in all material

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information (continued)

respects, in accordance with the Articles 21 and 24 of the Accounting Act.

3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Articles 22 and 24 of the Accounting Act,

Based on the knowledge and understanding of the Company and the Group and its environment, which we gained during our audit of the separate and the consolidated financial statements, we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

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

In preparing the separate and the consolidated financial statements, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF)

Auditor's reasonable assurance report on the compliance of separate and consolidated financial statements (financial statements), prepared based on the provision of Article 462 (5) of the Capital Market Act by applying the requirements of the Delegated Regulation (EU) 2018/815 specifying for the issuers a single electronic reporting format ("ESEF Regulation"). We conducted a reasonable assurance engagement on whether the financial statements of the Company the Group for the financial year ended 31 December 2023 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file [Croatian Telekom_2023-12-31_eng.zip], have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

Management is responsible for the preparation and content of the financial statements in line with the ESEF Regulation.

In addition, Management is responsible for maintaining the internal controls system that reasonably ensures the preparation of financial statements without material differences with the reporting requirements from the ESEF Regulation, whether due to fraud or error.

Furthermore, Company Management is responsible for the following:

- public reporting of financial statements presented in the annual report in valid XHTML format
- selection and use of XBRL markups in line with the requirements of the ESEF Regulation.

Those charged with governance are responsible for supervising the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor's Responsibilities

It is our responsibility to carry out a reasonable assurance engagement and, based on the audit evidence obtained, give our conclusion on whether the financial statements have been prepared without material differences with the requirements from the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

Quality management

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality, and professional conduct. We comply with the International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements (ISQM 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and statutory requirements.

Procedures performed

As part of the selected procedures, we have conducted the following activities:

- We have read the requirements of the ESEF Regulation;
- We have gained an understanding of internal controls of the Company and the Group, relevant for the application of the ESEF Regulation requirements;
- We have identified and assessed the risks of material differences with the ESEF Regulation due to fraud or error;
- We have devised and designed procedures for responding to estimated risks and obtaining reasonable assurance in order to give our conclusion.

Our procedures focused on assessing whether:

- Financial statements included in the separate and the consolidated report have been prepared in valid XHTML format;
- Data included in the separate and the consolidated financial statements required by the ESEF Regulation have been marked up and meet all of the following requirements:
  - XBRL has been used for markups.
  - Core taxonomy elements stipulated in the ESEF Regulation with the closest accounting meaning were used unless an extension taxonomy element was created in line with the Annex IV of the ESEF Regulation;
  - Markups comply with the common rules on markups in line with the ESEF Regulation.

We believe the evidence we obtained to be sufficient and appropriate to provide a basis for our conclusion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements (continued)

Report based on the requirements of Delegated Regulation (EU) No. 2018/815 amending Directive No. 2004/109/EC of the European Parliament and of the Council as regards regulatory technical standards for the specification of the uniform electronic format for reporting (ESEF) (continued)

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company and the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2023.

In addition to this conclusion, as well as the audit opinion contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Audit Act

We were appointed as the statutory auditor of the Company and the Group by the shareholders on General Shareholders' Meeting held on 10 May 2023 to perform audit of accompanying separate and consolidated financial statements. Our total uninterrupted engagement has lasted 1 year and covers period 1 January 2023 to 31 December 2023.

We confirm that:
- our audit opinion on the accompanying separate and consolidated financial statements is consistent with the additional report issued to the Audit Committee of the Company on 15 March 2024 in accordance with the Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council;
- no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided.

There are no services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings, and which have not been disclosed in the Annual Report.

The engagement partner on the audit resulting in this independent auditor's report is Katarina Kadunc.

Katarina Kadunc
Director and Certified auditor

Deloitte d.o.o.

19 March 2024

Radnička cesta 80,
10 000 Zagreb,
Republic of Croatia

RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Pursuant to the Croatian Accounting Act in force, the Management Board is responsible for ensuring that consolidated and separate financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union ("EU") give a true and fair view of the financial position and results of Croatian Telecom Inc. and its subsidiaries (the "Group") for that period.

The Management Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated and separate financial statements.

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

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed; and
- the consolidated and separate financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the consolidated and separate financial position of the Group and the Company must also ensure that the consolidated and separate financial statements comply with the Croatian Accounting Act in force. The Management Board is also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accompanying consolidated and separate financial statements were approved for issuance by the Management Board on 15 March 2024.

Croatian Telecom Inc.
Radnička cesta 21
10000 Zagreb
Republic of Croatia

15 March 2024

On behalf of the Group and the Company,

Mr. Konstantinos Nempis
President of the Management Board (CEO)

Mr. Matija Kovačević
Member of the Management Board and CFO

Mr. Boris Drilo
Member of the Management Board and CTIO

Ms. Nataša Rapaić
Member of the Management Board and COO Residential

Mr. Ivan Bartulović
Member of the Management Board and CHRO

Mr. Siniša Đuranović
Member of the Management Board and CCO

Ms. Marijana Bačić
Member of the Management Board and COO Business

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Group		Company	
EUR thousand	Notes	2023	2022	2023	2022
Revenue	4	1,039,335	983,504	868,393	814,987
Other operating income	5	8,639	14,164	8,047	11,454
Merchandise, material and energy expenses	6	(229,548)	(209,683)	(180,225)	(161,069)
Service expenses	7	(102,324)	(99,529)	(77,499)	(72,756)
Employee benefits expenses	9	(162,311)	(150,869)	(125,954)	(117,625)
Capitalized work performed by the Group and the Company	9	8,408	9,246	3,693	3,671
Depreciation and amortization	8	(270,229)	(263,702)	(231,948)	(222,741)
Impairment of non-current assets	8	(754)	(20,719)	(628)	(14,566)
Net impairment losses on trade receivables and contract assets	25	(12,050)	(8,470)	(10,544)	(6,548)
Other expenses	10	(117,777)	(128,336)	(100,295)	(110,388)
Operating profit	4	**161,389**	**125,606**	**153,040**	**124,419**
Finance income	11	8,586	3,883	6,829	3,141
Finance costs	12	(9,527)	(12,095)	(6,385)	(10,192)
Finance costs – net		(941)	(8,212)	444	(7,051)
Profit before income tax		**160,448**	**117,394**	**153,484**	**117,368**
Income tax expense	13	**(26,834)**	**(29,793)**	**(28,323)**	**(25,150)**
Profit for the year		**133,614**	**87,601**	**125,161**	**92,218**
Items that may be subsequently reclassified to comprehensive income					
Effects of foreign exchange		-	322	-	-
Result from effective cash flow hedging		(172)	-	(172)	-
Items that will not be subsequently reclassified to comprehensive income					
Changes in the fair value of equity instruments at fair value		18	8	18	8
Actuarial gains		31	32	31	32
Other comprehensive income/ (loss) for the year, net of tax		**(123)**	**362**	**(123)**	**40**
Total comprehensive income for the year, net of tax		**133,491**	**87,963**	**125,038**	**92,258**

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023

		Group		Company	
EUR thousand	Notes	2023	2022	2023	2022
Profit attributable to:					
Equity holders of the Company		132,029	86,987	125,161	92,218
Non-controlling interest		1,585	614	-	-
		133,614	87,601	125,161	92,218
Total comprehensive income arisen from continuing operations attributable to:					
Equity holders of the Company		131,906	87,349	125,038	92,258
Non-controlling interest		1,585	614	-	-
		133,491	87,963	125,038	92,258
Earnings per share					
Basic and diluted, from continuing operations attributable to equity holders of the Company during the year	14	EUR 1.69	EUR 1.10	EUR 1.60	EUR 1.16

The accompanying accounting policies and notes are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

EUR thousand	Notes	Group 31 December 2023	Group 31 December 2022	Company 31 December 2023	Company 31 December 2022
ASSETS					
Non-current assets					
Intangible assets	15	385,781	256,938	293,053	165,347
Right-of-use assets	17	72,346	73,694	63,615	65,721
Property, plant and equipment	16	842,861	837,211	760,259	756,379
Investment property		600	1,459	600	1,459
Investments in subsidiaries	18	-	-	212,100	212,098
Financial assets at fair value through other comprehensive income	21	910	1,185	835	1,108
Trade and other receivables	25	39,101	35,089	30,863	26,534
Contract assets	26	8,332	7,157	7,983	6,855
Capitalized contract costs	26	28,891	22,204	23,473	17,039
Prepayments	27	28,155	24,629	24,629	24,629
Deferred tax asset	13	22,925	17,916	18,461	16,792
Total non-current assets		**1,429,902**	**1,277,482**	**1,435,871**	**1,293,961**
Current assets					
Inventories	23	33,826	34,848	24,968	23,266
Assets classified as held for sale	19, 20, 24	31,561	31,561	31,700	31,700
Trade and other receivables	25	247,238	199,769	193,939	154,250
Contract assets	26	32,986	29,072	32,006	28,240
Capitalized contract costs	26	12,650	10,096	8,004	6,531
Receivables from subsidiaries	40	-	-	30,191	25,301
Prepayments	27	10,851	20,901	8,162	13,649
Financial assets at amortized cost	22	19,404	-	19,404	-
Bank deposits	28	10,000	13,500	-	-
Loans receivable from subsidiaries	40	-	-	3,010	1,995
Cash and cash equivalents	28	233,078	373,422	190,842	339,775
Total current assets		**631,594**	**713,169**	**542,226**	**624,707**
TOTAL ASSETS		**2,061,496**	**1,990,651**	**1,978,097**	**1,918,668**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

EUR thousand	Notes	Group 31 December 2023	Group 31 December 2022	Company 31 December 2023	Company 31 December 2022
EQUITY AND LIABILITIES					
Issued capital and reserves					
Issued share capital	33	1,359,742	1,359,742	1,359,742	1,359,742
Legal reserves	34	67,987	67,987	67,987	67,987
Effects of foreign exchange		361	361	-	-
Other reserves		250	200	186	133
Cash flow hedge reserves	35	(172)	-	(172)	-
Reserve for treasury shares	36	21,226	472	21,226	472
Treasury shares	36	(22,170)	(808)	(21,226)	(472)
Retained earnings	37	231,329	206,490	243,127	225,153
Total equity attributable to equity holders of the parent		**1,658,553**	**1,634,444**	**1,670,870**	**1,653,015**
Non-controlling interest		32,939	32,561	-	-
Total issued capital and reserves		**1,691,492**	**1,667,005**	**1,670,870**	**1,653,015**
Non-current liabilities					
Provisions	31	13,759	16,728	12,910	15,946
Lease liabilities	17	50,930	50,217	44,802	45,949
Liabilities from other derivative financial instruments for cash flow hedges		172	-	172	-
Employee benefit obligations	30	2,901	2,377	2,331	1,966
Trade payables and other liabilities	29	9,459	16,502	7,338	11,581
Deferred tax liability	13	4,145	4,380	362	355
Total non-current liabilities		**81,366**	**90,204**	**67,915**	**75,797**

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

		Group		Company	
EUR thousand	Notes	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current liabilities					
Trade payables and other liabilities	29	225,842	173,227	179,139	132,813
Contract liabilities	26	12,085	10,368	6,646	4,828
Employee benefit obligations	30	2,306	1,472	2,272	1,467
Accruals	32	16,449	14,087	13,757	11,815
Payables to subsidiaries	40	-	-	8,680	9,405
Lease liabilities	17	16,038	20,156	13,918	16,723
Income tax payable		8,271	12,912	7,255	11,585
Deferred income		7,647	1,220	7,645	1,220
Total current liabilities		**288,638**	**233,442**	**239,312**	**189,856**
Total liabilities		**370,004**	**323,646**	**307,227**	**265,653**
TOTAL EQUITY AND LIABILITIES		**2,061,496**	**1,990,651**	**1,978,097**	**1,918,668**

The accompanying accounting policies and notes are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Group		Company	
EUR thousand	Notes	2023	2022	2023	2022
Operating activities					
Profit before income tax		160,448	117,394	153,484	117,368
Depreciation and amortization	8	270,229	263,702	231,948	222,741
Impairment loss of PPE & Intangible assets	8	754	1,918	628	1,917
Impairment of investment in joint venture	8	-	18,801	-	12,649
Interest income	11	(7,009)	(951)	(6,552)	(718)
Interest expense	12	7,623	8,351	6,034	7,261
(Gain) / loss on disposal of assets	5,10	(500)	(5,921)	(434)	(5,539)
Other net financial loss	11,12	327	812	74	531
(Increase) / decrease in inventories		1,023	(9,669)	(1,702)	(4,348)
Net impairment losses on trade receivables and contract assets	25	12,050	8,470	10,544	6,548
(Increase) / decrease in receivables and prepayments		(60,973)	(43,966)	(59,608)	(26,817)
(Increase) / decrease in contract assets/costs	26	(10,470)	(2,654)	(11,877)	(2,005)
Increase / (decrease) in payables and accruals		25,326	9,226	28,055	5,309
Increase / (decrease) in contract liabilities		1,717	(1,725)	1,818	(2,654)
Increase / (decrease) in provisions	31	(3,036)	1,671	(3,283)	1,858
Increase / (decrease) in employee benefit obligations	30	1,199	738	1,203	664
Increase / (decrease) in accruals	32	2,362	1,694	1,942	1,062
Other non-cash items		393	(146)	1,121	-
Cash generated from operations		401,464	367,745	353,395	335,825
Interest paid		(6,533)	(5,368)	(5,431)	(4,525)
Income tax paid		(34,417)	(17,479)	(32,012)	(17,089)
Net cash flows from operating activities		**360,514**	**344,899**	**315,952**	**314,212**
Investing activities					
Purchase of non-current assets		(303,565)	(194,768)	(275,903)	(175,563)
Proceeds from sale of non-current assets		1,181	16,748	784	16,140
Proceeds from financial assets at fair value through other comprehensive income		-	26,677	-	26,677
Receipts from investments in financial assets		10,825	-	10,000	-
Other investment (paid) / received		(282)	71	(468)	475
Given loan to subsidiary		-	-	(27,000)	(19,908)
Loan repayment from subsidiary		-	-	25,991	25,881
Proceeds from given guarantee deposit		3,395	-	-	-
Payments for secured deposits		(29,320)	(8,625)	(29,190)	-
Interest received		6,511	1,290	5,771	734
Net cash flows used in investing activities		**(311,255)**	**(158,607)**	**(290,016)**	**(125,565)**

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Group		Company	
	Notes	2023	2022	2023	2022
Financing activities					
Dividends paid	37	(86,464)	(83,649)	(86,464)	(83,649)
Dividend paid to non-controlling interest in subsidiary		(541)	(664)	-	-
Repayment of radio frequency spectrum and content	43	(34,613)	(43,299)	(26,659)	(36,368)
Repayment of lease liability principal amounts	17	(45,568)	(42,127)	(40,556)	(38,528)
Acquisition of treasury shares	36	(22,417)	(24,283)	(21,190)	(23,947)
Net cash flows used in financing activities		**(189,603)**	**(194,020)**	**(174,869)**	**(182,492)**
Net (decrease) / increase/ in cash and cash equivalents		(140,344)	(7,728)	(148,933)	6,155
Cash and cash equivalents as at 1 January		373,422	381,074	339,775	333,584
Exchange (losses) on cash and cash equivalents		-	76	-	35
Cash and cash equivalents as at 31 December	28	**233,078**	**373,422**	**190,842**	**339,775**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Group	Issued share capital	Legal reserves	Effects of foreign exchange	Other reserves	Cash flow hedge reserves (Note 35)	Reserve for treasury share	Treasury shares	Retained earnings	Total equity attributable to equity holders of the parent	Non- controlling interest	Total equity
EUR thousand	(Note 33)	(Note 34)				(Note 36)	(Note 36)	(Note 37)			
Balance as at 1 January 2022	**1,359,742**	**67,987**	**39**	**158**	**-**	**8,149**	**(8,149)**	**228,118**	**1,656,044**	**32,611**	**1,688,655**
Profit for the year	-	-	-	-	-	-	-	86,987	86,987	614	87,601
Other comprehensive income for the year	-	-	322	8	-	-	-	32	362	-	362
Total comprehensive income for the year	**-**	**-**	**322**	**8**	**-**	**-**	**-**	**87,019**	**87,349**	**614**	**87,963**
Dividends (Note 37)	-	-	-	-	-	-	-	(83,649)	(83,649)	(664)	(84,313)
Reserve for treasury shares	-	-	-	-	-	23,947	-	(23,947)	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(24,283)	-	(24,283)	-	(24,283)
Share based payments	-	-	-	-	-	(373)	373	373	373	-	373
Effect of merger of subsidiary (Note 3)	-	-	-	-	-	-	-	(1,416)	(1,416)	-	(1,416)
Shares cancelled	-	-	-	-	-	(31,251)	31,251	-	-	-	-
Other changes	-	-	-	34	-	-	-	(8)	26	-	26
Balance as at 31 December 2022	**1,359,742**	**67,987**	**361**	**200**	**-**	**472**	**(808)**	**206,490**	**1,634,444**	**32,561**	**1,667,005**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

Group	Issued share capital	Legal reserves	Effects of foreign exchange	Other reserves	Cash flow hedge reserves	Reserve for treasury share	Treasury shares	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
EUR thousand	(Note 33)	(Note 34)			(Note 35)	(Note 36)	(Note 36)	(Note 37)			
Balance as at 1 January 2023	**1,359,742**	**67,987**	**361**	**200**	**-**	**472**	**(808)**	**206,490**	**1,634,444**	**32,561**	**1,667,005**
Profit for the year	-	-	-	-	-	-	-	132,029	132,029	1,585	133,614
Other comprehensive income for the year	-	-	-	18	(172)	-	-	31	(123)		(123)
Total comprehensive income for the year	**-**	**-**	**-**	**18**	**(172)**	**-**	**-**	**132,060**	**131,906**	**1,585**	**133,491**
Dividends (Note 37)	-	-	-	-	-	-	-	(86,464)	(86,464)	(541)	(87,005)
Reserve for treasury shares	-	-	-	-	-	20,754	-	(20,754)	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(22,134)	-	(22,134)	(283)	(22,417)
Share based granted	-	-	-	-	-	-	436	-	436	-	436
Shares cancelled	-	-	-	-	-	-	259	-	259	-	259
Other changes	-	-	-	32	-	-	77	(3)	106	(383)	(277)
Balance as at 31 December 2023	**1,359,742**	**67,987**	**361**	**250**	**(172)**	**21,226**	**(22,170)**	**231,329**	**1,658,553**	**32,939**	**1,691,492**

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Company	Issued share capital	Legal reserves	Other reserves	Cash flow hedge reserves	Reserve for treasury share	Treasury shares	Retained earnings	Total equity
EUR thousand	(Note 33)	(Note 34)		(Note 35)	(Note 36)	(Note 36)	(Note 37)	
Balance as at 1 January 2022	**1,359,742**	**67,987**	**99**	**-**	**8,149**	**(8,149)**	**244,850**	**1,672,678**
Profit for the year	-	-	-	-	-	-	92,218	92,218
Other comprehensive income for the year	-	-	8	-	-	-	32	40
Total comprehensive income for the year	**-**	**-**	**8**	**-**	**-**	**-**	**92,250**	**92,258**
Reserve for treasury shares	-	-	-	-	23,947	-	(23,947)	-
Acquisition of treasury shares	-	-	-	-	-	(23,947)	-	(23,947)
Shares cancelled	-	-	-	-	(31,251)	31,251	-	-
Share based payments	-	-	-	-	(374)	374	374	374
Effect of merger of subsidiary (Note 3)	-	-	-	-	-	-	(4,725)	(4,725)
Other changes	-	-	26	-	-	-	-	26
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(83,649)	(83,649)
Balance as at 31 December 2022	**1,359,742**	**67,987**	**133**	**-**	**472**	**(472)**	**225,153**	**1,653,015**

SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

Company	Issued share capital	Legal reserves	Other reserves	Cash flow hedge reserves	Reserve for treasury share	Treasury shares	Retained earnings	Total equity
EUR thousand	(Note 33)	(Note 34)		(Note 35)	(Note 36)	(Note 36)	(Note 37)	
Balance as at 1 January 2023	**1,359,742**	**67,987**	**133**	**-**	**472**	**(472)**	**225,153**	**1,653,015**
Profit for the year	-	-	-	-	-	-	125,161	125,161
Other comprehensive income for the year	-	-	18	(172)	-	-	31	(123)
Total comprehensive income for the year	**-**	**-**	**18**	**(172)**	**-**	**-**	**125,192**	**125,038**
Reserve for treasury shares	-	-	-	-	20,754	-	(20,754)	-
Acquisition of treasury shares	-	-	-	-	-	(21,190)	-	(21,190)
Share based granted	-	-	-	-	-	436	-	436
Other changes	-	-	35	-	-	-	-	35
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(86,464)	(86,464)
Other changes	-	-	26	-	-	-	-	26
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(83,649)	(83,649)
Balance as at 31 December 2023	**1,359,742**	**67,987**	**186**	**(172)**	**21,226**	**(21,226)**	**243,127**	**1,670,870**

The accompanying accounting policies and notes are an integral part of these and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 Corporate information

Croatian Telecom Inc. ("HT" or the "Company") is a joint stock company whose majority shareholder is Deutsche Telekom Europe B.V. with a 53.02% holding. Deutsche Telekom Europe B.V. is 100% owned by Deutsche Telekom Europe Holding B.V. Deutsche Telekom Europe Holding B.V is 100% owned by Deutsche Telekom Europe Holding GmbH which is 100% owned by Deutsche Telekom AG ("DTAG"). Thus, Deutsche Telekom AG is the ultimate controlling parent.

The registered office address of the Company is Radnička cesta 21, Zagreb, Croatia.

The consolidated financial statements include the financial statements of:

Entity		Country of Business	Principal Activities	Ownership interest 31 December 2023	Ownership interest 31 December 2022
Croatian Telecom Inc.		Republic of Croatia	Provision of fixed and mobile telephony services, internet and data services		
Combis d.o.o. Zagreb	Subsidiary	Republic of Croatia	Provision of IT services	100%	100%
Combis d.o.o. Sarajevo	Subsidiary of Combis d.o.o. Zagreb	Federation of Bosnia and Herzegovina	Provision of IT services	100%	100%
Combis – IT usluge d.o.o. Belgrade	Subsidiary of Combis d.o.o. Zagreb	Republic of Serbia	Provision of IT services	100%	100%
Iskon Internet d.d.	Subsidiary	Republic of Croatia	Provision of internet and data services	100%	100%
Crnogorski Telekom AD	Subsidiary	Republic of Montenegro	Provision of fixed and mobile telephony services, internet and data services	76.93%	76.53%
HT holding d.o.o.	Subsidiary	Republic of Croatia	Founding and managing other companies	100%	100%
JP HT d.d. Mostar	Joint venture	Federation of Bosnia and Herzegovina	Provision of fixed and mobile telephony services, internet and data services	39.10%	39.10%

The total number of employees of the Group as at 31 December 2023 was 4,917 (31 December 2022: 4,984) and the total number of employees of the Company as at 31 December 2023 was 3,804 (31 December 2022: 3,881).

The principal activities of the Group and the Company are described in Note 4.

The consolidated and separate financial statements for the financial year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Management Board on 15 March 2024. These consolidated and separate financial statements are subject to approval of the Supervisory Board as required by the Croatian Company Act. Annual consolidated financial statements of DT Group are disclosed on the web page of Deutsche Telekom in Investor Relations.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2.1. Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as endorsed by the EU. The consolidated and separate financial statements also comply with the Croatian Accounting Act on consolidated and separate financial statements, which refers to IFRS as endorsed by the EU. The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation financial assets at fair value through other comprehensive income (Note 21), as disclosed in the accounting policies hereafter.

Starting from this reporting period, Hrvatski Telekom d.d. ("Company") and HT Group ("Group") are issuing consolidated and separate financial statements within the same report for the first time. This change aims to enhance clarity, transparency, and simplicity for users of these financial statements. As part of our accounting policies, we have included all relevant and significant policies for both levels, which were previously presented in separate reports. In addition to the above, there have been no additional significant changes in the reporting or presentation of information in the annual report.

As of 1 January 2023, Republic of Croatia entered the Euro zone and Croatian Kuna (HRK) was replaced by new currency Euro (EUR). As a result, the Group and Company have changed its presentation and functional currency for 2023 financial statements to EUR as of that date. Comparative financial information is translated by using the official conversion rate of 7,53450 HRK / EUR.

2.2. Changes in accounting policies and disclosures

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group and Company have applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Title
IFRS 17	New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17
Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules*

New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Group and Company have not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024

New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU at the date of authorisation of these financial statements:

Standard	Title	EU adoption status
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements (IASB effective date: 1 January 2024)	Not yet adopted by EU
Amendments to IAS 21	Lack of Exchangeability (IASB effective date: 1 January 2025)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted)	Endorsement process postponed indefinitely until the research project on the equity method has been concluded

The Group and Company do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and Company in future periods.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Group's and Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

2.3. Significant accounting judgments, estimates and assumptions

2.3.1. Significant accounting estimates

The preparation of the Group's and the Company's financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, during the reporting period or at the reporting date respectively. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Capitalized content rights

The rights to use electronic signals to broadcast sport events, TV programs, movies, music streams, etc. shall be capitalized as intangible assets if all the following conditions are met:

- there is no doubt whatsoever that the content will be delivered as agreed in the contract. That means that the probability that the signal will eventually not be delivered is remote. If the probability of non-delivery is higher than remote, such contract is accounted for as an executory contract where any prepayments are presented as other assets and amortized through expenses for services purchased.
- the non-cancellable minimum term and the period over which revenues from customers are expected to be generated exceed one year. If the term is shorter, the contract is accounted for as an executory contract.
- cost can be estimated reliably.

Contract values are calculated based on the price in the contract and the estimated number of users discounted for the duration of the contract. Used discount rate depends on the duration of the contract.

Provisions and contingencies

The Group and the Company and are exposed to several legal cases and regulatory proceedings and ownership dispute over distributive telecommunication infrastructure that may result in significant outflow of economic resources or derecognition of related assets. The Group and the Company use internal and external legal experts to assess the outcome of each case and makes judgments as to if and in what amount provisions need to be recorded in the financial statements as explained further in Notes 31 and 39. Changes in these judgments could have a significant impact on the financial statements of the Group and the Company.

Impairment of non-financial assets

The determination of impairment of assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on many factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair values are typically determined using the discounted cash flow method which incorporates reasonable market participant assumptions.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

Impairment of non-financial assets (continued)

The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. Specifically, the estimation of cash flows underlying the fair values of the business considers the continued investment in network infrastructure required to generate future revenue growth through the offering of new data products and services, for which only limited historical information on customer demand is available. If the demand for those products and services does not materialize as expected, this would result in less revenue, less cash flow and potential impairment to write down these investments to their fair values, which could adversely affect future operating results.

The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the financial plan covering a mid-term period. The cash flows beyond the planning period are extrapolated using appropriate growth rates. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details including carrying values and effects on the result of the period are given in Notes 15 and 16.

Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. We believe that this is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and is heavily dependent on the investment plans of the Group and the Company. Further, due to the significant weight of depreciable assets in the Group's and the Company's total assets, the impact of significant changes in these assumptions could be material to the financial position and results of operations of the Group and the Company.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (Note 15). Management believes that no reasonably possible change in any of the key assumptions 2023 would cause the carrying value of the business and residential cash-generating units, and cash-generating unit Crnogorski Telekom, to materially exceed their recoverable amount.

Content contract liability

As explained in intangible asset accounting policy (Note 2.4.) content costs are capitalized with related liability recognised. The determination of liability for variable content contracts requires judgement as it is based on estimated number of future customers and use of a discount rate.

Intangible assets with an indefinite life

In arriving at the conclusion that the acquired brand EVOtv has an indefinite life, the Group and the Company considered the fact that the brand represents a residential segment and relate to operators with proven and sustained demand for their products and services in a well-established market. The brand EVOtv has historically been supported through spending on consumer marketing and promotion. The Group considered other factors such as the ability to continue to protect the legal rights that arise from the brands name indefinitely and the absence of any competitive factors that could limit the life of the brand name. The Group and the Company expect continued economic benefits from the acquired brand in the future. However, a strategic decision to withdraw marketing support from the brand or the weakening in the brand's appeal through changes in customer preferences might result in an impairment charge in the future. Also, reasonable change in certain key assumptions (such as change of revenues by 2% and change in royalty relief rate by 0.1%) does not lead to impairment.

Expected credit loss (ECL) measurement

Model of Expected Loss (ECL) is implemented in accordance with IFRS 9. The measurement of expected loss is based on reasonable and supporting information that is available without additional expenses and effort and which include information on past events, current and foreseeable future conditions and circumstances.

When estimating the expected credit loss, historical probabilities of non-collection are usually used, complemented with forward looking parameters relevant to the credit risk.

Macroeconomic data are linked to historical customer behaviour, which is corrected under the following conditions:

- Unemployment rate – If changes in unemployment rate are more than 2% compared to the average of the last two years
- GDP – If GDP change rates are higher than 1% compared to the average of the last four years
- Average interest rates – If changes in average interest rates are greater than 2% compared to the average of the last four years.

The general approach of expected credit losses applies to loans, debt instruments measured at amortized cost and debt instruments measured at fair value through other comprehensive income. A simplified approach to expected credit losses is applied to customer and contract assets, resulting in the recognition of a loss allowance before the credit loss is incurred.

Besides above stated assets to which a simplified approach applies, subsequent measurement of all other assets in scope of ECL applies a general approach of expected credit loss consisting of three stages: Bucket 1, Bucket 2 and Bucket 3. The degree of application depends on the increase in credit risk by financial instrument after initial recognition, i.e. on the credit quality of the financial instrument:

Buckets for measurement of credit risk	Period of measurement of ECL	Increase of credit risk
Bucket 1 Performing	12-month expected credit losses	None or not significant
Bucket 2 Underperforming	Lifetime expected credit losses	Significant
Bucket 3 Non-performing	Lifetime expected credit losses	Significant + There is evidence that financial asset is impaired at the reporting date

A credit risk is the risk that a counterparty of a financial instrument creates financial losses for the other counterparty by not fulfilling the contractual obligation. Since the standard does not prescribe a definition of "significant increase in credit risk" an entity decides how to define it in the context of its specific types of instruments taking into account the availability of information and own historic data. Basis for assessing an increase in credit risk is either the probability of default or an analysis of overdue receivables. Revision of applied simplified approach credit risk percentages is done once a year to measure credit risk and historical data in order to quantify expected credit loss.

Additionally, financial analyst analyses macroeconomic and external data – inflation rates, consumer credit interest rates, GDP per capita, unemployment and employment rates and consumer price index change. These data are put in correlation with historical Group and Company customer payment behaviour in order to see possible change of credit risk percentages applied.

The standard contains the rebuttable assumption that a "default event" has occurred when the financial asset is more than 90 days overdue. The assumption may also be supported by the following indicators:

- Counterparty repeatedly fails to meet payment obligations and the service is blocked (contract not yet terminated).
- Counterparty is over the credit limit with unpaid invoices and fails to pay despite repeated demands.
- Country embargo/countries are in recession or payment restrictions by the relevant state bank.

In making these assumptions, estimates based on historical data and existing market conditions are used.

Simplified approach of expected credit loss measurement i.e measurement on collective basis is applied for trade receivables, due to large number of analytical data (customers) and homogeneous base of receivables. Trade receivables are divided into portfolios based on type of customer and tracked according to aging structure. Portfolios are created based on similarities of the customer behavior as to historical data and future expectations. Portfolios are for example Mobile Residential Customers, Fixed Residential Customers, Mobile Business Customers, Fixed Business Customers. Aging clusters for example are Undue, Overdue 0–29 days, Overdue 30–89 days and so further. Aging clusters are created based on the similarities in collection process steps.

If not collected earlier, receivables are claimed at Court within the statute of limitations.

Analysis receivables and respective value adjustment showed significant collection in first year from due date and subsequent two years through claims.

Trade receivables credit risk was recognized through ECL provision matrix. Risk assumptions include historical collection risk and dynamics adjusted for significant changes in macroeconomic indicators (GDP change, unemployment rate, inflation and credit default swap rate for long term receivables).

During the reporting period there were no significant changes in the gross carrying amount of financial instruments, so there were no significant impacts on the loss allowance.

Revenue recognition

Following IFRS15 judgments are applied in portfolio approach in order to reflect contracts behaviour from contract inception over the contract duration period. The most relevant judgements include:

- value adjustment of contract asset due to early contract termination in range of 3%-10% (2022: 3%-10%) and penalty fee collection in range of 52%-88% (2022: 52%-81%), depending on portfolio / customer group
- value adjustment of contract asset due to non-payment (relation with IFRS 9) in range of 0.1%-3% (2022: 0.1%-3%), depending on portfolio / customer group
- handset budget is not used evenly during contract duration, which is mostly 24 months, so linear usage within 12 months after contract inception is approximation of the uneven usage for large and medium customer segment and non-linear 3 months usage after contract inception is approximation for very small enterprises (VSE customer segment)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2.3. Significant accounting judgments, estimates and assumptions (continued)

2.3.1. Significant accounting estimates (continued)

- costs which are directly attributable to acquisition of a new contract are amortized over average customer retention period. Customer retention period is calculated per core services based on historical data.

Assets Classified as Held for Sale

Held for sale assets are non-current assets for which Group and Company have a concrete plan to dispose of the asset by sale. They are carried on balance sheet at the lower of carrying value or fair value and no depreciation is charged on them. In estimating the fair value of asset classified as held for sale, an income approach is applied based on discounted cash flows which is supplemented with market approach. Based on current initiated process and actions taken, assets classified as held for sale refers to assets for which it is in managements best belief that it will be sold within the next twelve months.

2.4. Significant accounting policies

a) Operating profit

Operating profit is defined as the result before income taxes and finance items. Finance items comprise interest revenue on cash balances in the bank, deposits, treasury bills, interest bearing financial assets at fair value through other comprehensive income, share of profit and loss from associate and joint venture, interest expense on borrowings, gains and losses on the sale of financial assets at fair value through other comprehensive income and foreign exchange gains and losses on all monetary assets and liabilities denominated in foreign currency.

b) Business Combinations and Goodwill

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value as at the acquisition date through the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest in the acquire over the fair value of identifiable net assets acquired. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method.

Under this method the consolidated and separate financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated and separate financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated and separate financial statements as an adjustment to retained earnings.

c) Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally

accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are measured at cost less any impairment in value.

Mergers of subsidiaries under common control

Mergers of subsidiaries from parties under common control are accounted for using the pooling of interests method.

Under this method the assets and liabilities of predecessor entity transferred under common control are transferred at the predecessor entity's carrying amounts.

Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the liabilities is accounted for in these financial statements as an adjustment to retained earnings.

d) Investment in joint venture

The Group and Company have an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognizes its interest in the joint venture using equity method of accounting, while the Company recognizes it using cost method. The financial statements of the joint venture are prepared for the same reporting period as the parent company.

Adjustments are made where necessary to bring the accounting policies into line with those of the Group and Company. Adjustments are made in the Group's and Company's financial statements to eliminate the Group's and Company's share of unrealised gains and losses on transactions between the Group or Company and its jointly controlled entity.

Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. Interest in the joint venture is derecognized at the date on which the Group or Company cease to have joint control over the joint venture.

When the Group's and Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group and Company do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. Unrealized gains on transactions between the Group and Company and its joint venture are eliminated to the extent of the Group's and Company's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

e) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized in the event that the future economic benefits that are attributable to the assets will flow to the Company and Group, and that the cost of the asset can be measured reliably.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful life. The amortization method is reviewed annually at each financial year-end.

Amortization of the telecommunication licence commences when the licence is acquired and ready for use, with the amortization period being the term of the licence.

The Company and Group recognize costs of content as an intangible asset at the inception of the related contract. The Company and Group determined that the following conditions have to be met for capitalization of content provider contracts: contract duration must be longer than one year, cost must be determined or determinable, contracted rights must be continuous and costs under the contract are unavoidable. Assets recognized under these contracts will be amortized over the contract period. Content contracts which do not meet the criteria for capitalization are expensed and presented in 'other expenses' in the statement of comprehensive income.

Customer relationships and long-term customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Useful lives of intangible assets are as follows:

Licences and rights	
Radio frequency spectrum in 2100 MHz frequency band	15 years
Radio frequency spectrum in 700 MHz/3600 MHz/ 26 GHz frequency bands	15 years
Radio frequency spectrum in 800 MHz frequency band	11–12 years
Radio frequency spectrum in 900/1800 MHz frequency band	10–13 years
Radio frequency spectrum in 2600 MHz frequency band	6 years
Radio frequency spectrum for digital television multiplexes	10 years
5G spectrum licence	15 years
Software, content and other assets	2–8 years or as per contract duration
Customer relationship	6.5–10.5 years
Brand	Indefinite
HAKOM licence	Indefinite
Long-term customer contracts	1.5–7 years

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2.4. Significant accounting policies (continued)

e) Intangible assets (continued)

Assets under construction are not amortised but are being reviewed for impairment annually.

Goodwill arises on the acquisition of subsidiaries. For impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operative segment before aggregation.

Goodwill, intangible assets with indefinite useful lives and intangible assets under construction are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount, based on value in use calculations, of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December. Please see Note 15 for more details.

f) Property, plant and equipment

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

In addition to directly attributable costs, the costs of internally constructed assets include proportionate indirect material and labour costs, as well as administrative expenses of an organizational unit relating to specific product or the provision of services.

Subsequent expenditure on an asset that meets the recognition criteria to be recognized as an asset or an addition to an asset is capitalized, while maintenance and repairs are charged to expense when incurred.

After recognition as an asset, an item of property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is computed on a straight-line basis.

Buildings	10–50 years
Telecom plant and machinery	
Cables	8–20 years
Cable ducts and tubes	20–35 years
Other	2–15 years
Customer premises equipment (CPE)	7 years
Tools, vehicles, IT, office and other equipment	2–15 years

Land, works of art and assets under construction are not depreciated, but are being reviewed for impairment annually.

Useful lives, depreciation method and residual values are reviewed at each financial year-end, and if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Construction-in-progress represents plant and properties under construction and is stated at cost. Depreciation of an asset begins when it is available for use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other expenses' in the statement of comprehensive income.

g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Inventories

Inventories are measured at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs necessary to make the sale. Cost is determined based on weighted average cost.

Material spare parts and stand-by equipment qualify as property, plant, and equipment if the requirements of IAS 16 - Property, Plant, and Equipment are met and the entity expects to use these assets during more than one period. Similarly, if the spare parts and stand-by equipment can only be used in association with property, plant, and equipment and their use is expected to be irregular, they are reported as property, plant, and equipment.

i) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group or Company receive grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

j) Investment property

Investment property, principally comprising business premises and land, is held for long-term rental yields or appreciation and is not occupied by the Company or Group. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified as asset held for sale.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment. Depreciation of buildings is calculated using the straight-line method to allocate their cost over their estimated useful lives of 10 to 50 years (2022: 10 to 50 years).

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and Group and the cost can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

k) Assets Classified as Held for Sale

Held for sale assets are long-lived assets for which a Company and Group have a concrete plan to dispose of the asset by sale. They are carried on balance sheet at the lower of carrying value or fair value and no depreciation is charged on them. Assets are classified as held for sale: when the following conditions are met: management is committed to a plan to sell, the asset is available for immediate sale, an active program to locate a buyer is initiated, the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions), the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value, actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

l) Financial assets

All assets are classified and measured as described below:

Classification and measurement	Classification / measurement
Assets	
Current assets	
Cash and cash equivalents (deposits, commercial papers)	Amortized cost
Trade and other receivables	Amortized cost
Other financial assets	Amortized cost
Given loans and other receivables	Amortized cost
Equity instruments	Fair value through Other Comprehensive Income without recycling to Profit and Loss (FVOCI)
Debt instruments	Amortized cost
Cash flow hedge derivative	Fair value through Other Comprehensive Income with subsequent reclassification to the income statement
Non-current assets	
Trade and other receivables	Amortized cost
Other financial assets	Amortized cost
Given loans and other receivables	Amortized cost
Equity instruments	Fair value through Other Comprehensive Income without recycling to Profit and Loss (FVOCI)

The business model reflects how the Company and the Group manage the debt financial assets in order to generate cash flows – whether the Company's and Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Debt instruments

For the measurement of debt instruments, it is important which business model applies to each debt instrument. If the business

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2.4. Significant accounting policies (continued)

l) Financial assets (continued)

Debt instruments (continued)

model is only „held to collect“ contractual cashflows (principal + interest) without intention to sell, debt instruments are measured at amortized cost.

Receivables which are sold to Collecting Agency (as way of collection) are considered to be in the 'held to collect' business model and are therefore measured at amortized cost (the SPPI test is satisfied).

Equity instruments

Held equity instruments include strategic investments. HT has exercised the option of valuing these in the Other comprehensive income without subsequent reclassification. The reason for this is that strategic investments do not focus on short-term profit maximization. Acquisition and sale of strategic investments are based on business policy considerations. Dividends are recognized directly in profit or loss in case that they do not constitute a capital repayment.

m) Foreign currencies

Transactions denominated in foreign currencies are translated into local currency (functional currency of each entity of the Group) at the middle exchange rates of the Croatian National Bank prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the middle exchange rates of the Croatian National Bank prevailing at the statement of financial position date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the statement of comprehensive income within financial income or financial expense, respectively.

n) Taxation

The income tax charge is based on profit for the year and includes deferred taxes. Deferred taxes are calculated using the balance sheet liability method.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes at the reporting date.

Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the financial statement date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would arise from the manner in which the Company and Group expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Generally, the Company and Group are unable to control the reversal of the temporary difference for associates.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities in the statement of financial position. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

Current and deferred taxes are charged or credited in other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period in other comprehensive income.

o) Employee benefit obligations

The Group and Company provide post-employment benefits and incentive plan payments (Note 30). These benefits include pension, jubilee benefit, LTI and Game Changer. The defined benefit obligation is calculated annually by independent actuary using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Past service costs are recognized in profit or loss immediately in the period in which they occur. Gains or losses on the curtailment or settlement of benefit plans are recognized when the curtailment or settlement occurs. The benefit obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation. Gains and losses resulting from changes in actuarial assumptions are recognized in other comprehensive income in the period in which they occur.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

p) Revenue recognition

Revenue is income arising in the course of the Group's and Company's ordinary activities.

Revenue is recognized for each distinct performance obligation in the contract in the amount of transaction price. Transaction price is the amount of consideration in a contract to which Group and Company expect to be entitled in exchange for transferring promised goods or services to a customer.

For contracts that contain more than one performance obligation (multiple element arrangements), Group and Company allocate the transaction price to those performance obligations on a relative stand-alone selling price basis. The stand-alone selling price (SSP) is the price at which Group and Company would sell a promised good or service separately to a customer.

Revenue is recognized when performance obligations are satisfied by transferring control of a promised good or service to a customer. Control of good (e.g. sale of equipment) is transferred when goods are delivered to customer, the customer has full discretion over goods and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when goods have been shipped to the specific location, and the risks of obsolescence and loss have been transferred to customer. Control of good is usually transferred at point in time.

Control of services (e.g. sales of telecommunication services, maintenance services, sale of licences, etc) transfers over time or at a point in time, which affects when revenue is recorded. Revenue from providing services is recognized in the accounting period in which the services are rendered. In ICT solutions business, if service realization extend to more than one accounting period both, input method (based on cost incurred) and output method (based on units/work delivered) are used to measure progress towards completion.

Output method is used when time period between start of work and delivery of service is not too long and / or where work completed is regularly confirmed by both parties). Input method is mainly used in complex systems solution (e.g. in case of development of customer tailored made solution which lasts longer period of time), where revenue is recognized monthly based on cost incurred in order to reflect progress towards completion in periods where mutual confirmations are still not due. For mass market, if services extend to more than one accounting period (e.g. postpaid flat tariffs), revenue is recognized in fixed amounts to which the Group and Company have the right to invoice.

In determining the transaction price, the Group and the Company adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group or Company with a significant benefit of financing the transfer of goods or services to the customer. The Group and Company make use of the option not to consider a significant financing component if the maximum period between delivery of a good or provision of a service and payment by the customer is one year or less. As well under the Group's and Company's policy, it is assumed that if the amount of the financing component exceeds 5% of a total contract's transaction price, this will indicate that such financing component will be deemed significant.

By contrast, if the amount is 5% or lower, an entity may conclude that the financing component is not considered significant. Based on these criteria the Group did not identify significant financing component in contracts with customers.

The Group and the Company apply the IFRS 9 simplified approach, whereas to measure the expected credit losses clusters have been grouped based on customer credit risk characteristics and collection efficiency. The expected loss rates are based on the past data collected over a period of 36 months.

The Group and the Company use practical expedient not to disclose the outstanding transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) when the revenue is recognised overtime in line with billed revenue.

The IFRS 15 Standard specifies the accounting for an individual contract with a customer. However, as a practical expedient, the Standard may be applied to a portfolio of contracts, if:

- the contracts aggregated to a portfolio possess similar characteristics, and
- applying the Standard to the portfolio does not result in a materially different result compared to accounting of single contracts.

In the Group and Company IFRS 15 revenue is applied to portfolios of contracts as well as to single contracts. The Standard is applied to portfolios of contracts for mass market products, while for special solutions it is applied on individual contracts level. Portfolios are defined within each relevant business area and are set up based on common adjustment requirements for the individual contracts.

IFRS 15 Standard has impact, on following business events:

Multiple element arrangements – in case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidised products delivered in advance, the transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices. Standalone selling prices of hardware are determined using price list prices. Standalone selling price of service includes additional discount to customers for not buying devices at discounted prices (if such discounts are part of marketing offer). As a result, a larger portion of the total consideration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue which results in higher revenue from the sale of goods and merchandise and lower revenue from provision of service (mobile communication service). This leads to the recognition

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2.4. Significant accounting policies (continued)

p) Revenue recognition (continued)

of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is amortized over the remaining term of the contract. Contract liabilities are netted off against the contract assets on portfolio level.

Material rights which are granted to customers at contract inception with the option to be exercised at later point of time mainly relate to granted Handset Budgets – the total transaction price of the combined contract is allocated to the individual, separate performance obligations on a relative stand-alone selling price basis. A larger portion of the total remuneration is attributable to the material right (e.g. right to a future subsidy on a mobile phone).

In the balance sheet, this leads to the recognition of a contract asset, which is amortized over the remaining term of the contract and, compared with the amounts invoiced, reduces the revenue from service obligations.

Capitalized contract cost which consists of Cost to obtain a contract and Cost to fulfil a contract - Cost to obtain a contract mainly relate to expenses for sales commissions paid to indirect partners or own employees which are capitalized as Contract costs and amortised over the estimated customer retention period (depending on service) in case of contact acquisitions or over contract duration period (usually 24 months) in case of contract prolongations. Cost to fulfil a contract mainly relate to telecommunication costs occurred to fulfil contracts with customers as well as cost of vouchers / benefits for third party products granted at contract inception. These costs are capitalized as Contract costs and amortised over contract duration period (usually 24 months).

One-time payments made in advance by the customer that do not fulfil definition of a separate performance obligation but represent a prepayment on future services are deferred and recognized in revenue over the (remaining) term of the contract and presented within contract liability.

Discounts or uneven transaction prices – When discounts on service fees are granted unevenly for specific months of a contract or monthly service fees are charged unevenly for specific months of a contract while monthly service is provided evenly to the customer, service revenue is recognized on a straight-lined basis.

q) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, corporate commercial papers and short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised costs because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

r) Provisions

A provision is recognized when, and only when, the Company and the Group have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognized as financial expense.

Provisions for termination benefits are recognized when the Company and the Group is demonstrably committed to a termination of employment contracts, that is when the Company and the Group have a detailed formal plan for the termination which is without realistic possibility of withdrawal. Provisions for termination benefits are computed based on amounts paid or expected to be paid in redundancy programs.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as prepayment.

A number of sites and other assets are utilised which are expected to have costs associated with de-commissioning. Provision is recognized for associated cash outflows which are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to 20 years from when the asset is brought into use.

Asset retirement obligation

Asset retirement obligation costs primarily arise in situations where the Group and the Company have a legal obligation to dismantle and remove assets on third party's properties, where said assets meet the definition of assets (it is likely that future economic benefits associated with the asset will flow into the Group and the Company and the costs of those assets can be reliably measured), and when the Group or the Company installs assets such as buildings for the accommodation of equipment, antenna poles, antenna supports and systems.

Depreciation period of ARO assets is determined based on an estimated time frame in which dismantling will take place. In accordance with IAS 37, the period in which the ARO asset is discounted, the discount rate and the dismantling price is reconsidered every year and depending on the possible change in the mentioned parameters, an increase or decrease in the provision for the dismantling of the asset is booked.

The goal is that the amount at the end of the period of use of the asset, which constitutes the initial reservation increased by the accrued interest, during the discounting period, will be sufficient for the total cost of dismantling the asset.

The Group and the Company reconsider these provisions every year.

s) Contingencies

Contingent assets are not recognized in the financial statements. They are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

t) Share-based payments

The cost of cash-settled and equity-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 45. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability for cash-settled and equity-settled transactions are recognised in equity. The liability is remeasured to fair value at each statement of financial position date up to and including the settlement date with changes in fair value recognized in the statement of comprehensive income.

u) Events after reporting period

Post-year-end events that provide additional information about the Company's and Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated and separate financial statements when material.

v) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

w) Dividend distribution

Dividend distributions to the Company's and Group's shareholders are recognized as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's and the Group's shareholders.

x) Earnings per share

Earnings per share are calculated by dividing the profit attributable to equity holders of the Company and the Group by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and the Group and held as treasury shares.

y) Contributed equity

Ordinary shares are classified as equity. Shares held by the Company and the Group are disclosed as treasury shares and deducted from contributed equity.

z) Right-of-use assets

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group and the Company.

The right-of-use assets is presented separately in the statement of financial position, except for right-of-use assets that meet the definition of investment property which is presented in statement of financial position in separate line item – "investment property".

Right-of-use assets are measured initially at cost comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. The amortisation periods for the right-of-use assets are as follows:

Buildings	1 - 32 years
Equipment	2 - 6 years
Land	0.5 - 30 years
Lease lines	1 - 25 years
Vehicles	0.5 - 6 years

Lease lines class refers to the lines on locations where the Group or the Company does not build its own network, but rents already built lines.

Payments associated with all short-term leases are recognised on a straight-line basis as an expense in profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

2.4. Significant accounting policies (continued)

z) Right-of-use assets (continued)

Short-term leases are leases with a lease term of 1 month or less.

Full recognition requirements of IFRS 16 will also apply to leases based on low-value assets.

aa) Lease liabilities

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- the exercise price of a purchase option if the Group and the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's and the Company's incremental borrowing rate.

Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

bb) Finance lease

In classifying a sublease, the Company, as the intermediate lessor, classifies the sublease as a finance lease or an operating lease in the same manner as any other lease using the criteria as per IFRS 16.61 with reference to the right-of-use asset (not the underlying asset itself) arising from the head lease.

Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable at amount equal to the net investment in the lease. At the commencement date measurement of the net investment in the lease comprises the following lease payments:

- fixed payments, less any lease incentives payable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Finance lease receivables are initially recognized at commencement, using a discount rate implicit in the lease to measure net investment in the lease.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term. Finance income from leases is recorded within other operating income in profit or loss for the year.

The Company applies the IFRS 9 simplified approach, whereas to measure the expected credit losses clusters have been grouped based on customer credit risk characteristics and collection efficiency. The expected loss rates are based on the past data collected over a period of 36 months.

3 Changes in Group structure

Merger of HT Production d.o.o.

As at 1 March 2019 the Group acquired 100% of the voting shares of HT Production d.o.o., following the approval of the National Regulatory Agency (HAKOM), from Hrvatska Pošta. HT Production was an unlisted company located in Zagreb, pay TV provider – EVOtv.

As at 1 June 2022, HTP d.o.o. was merged into Croatian Telecom Inc. By entering the merger in the court register, the merged company HTP d.o.o. has ceased to exist. The acquirer, HT d.d., became the general legal successor of the merged company and thereby entered all legal relations of the merged company. Due to the merger, there were no changes of existing EVOtv services.

The carrying value of assets and liabilities of HT Production were transferred into Croatian Telecom Inc.

The carrying value of transferred assets and liabilities of HT Production in the Company as at the date of merger were:

	in EUR thousand
Assets	27,792
Liabilities	16,158
Total net assets	**11,634**
Investment in HT Production	(14,943)
	(3,390)
Effect of catch-up tax	(1,416)
Total effect of merger on retained earnings of the Company	(4,725)

Since this merger is considered as business combination under common control, there is no material effect in the aspect of consolidated financial statements of the Group.

Control over OPTIMA

HT and Zagrebačka banka d.d. signed on 9 July 2021 an agreement with the company Telemach Hrvatska d.o.o. owned by United Group (United Group B.V., The Netherlands) on the sale and purchase of the shares of the company Optima Telekom d.d. The subject of the transaction is sale of total of 54.31% shares of Optima Telekom out of which 36.90% are owned by Zagrebačka banka, while 17.41% are owned by HT holding d.o.o., a company in 100% ownership of the Company.

By signing an agreement on the sale and purchase of the shares of the company Optima Telekom d.d., it was determined that the fair value is lower than the carrying amount, which resulted in impairment of goodwill and assets in Group in the net amount of EUR 6,636 thousand.

In 2022, the sale process of Optima shares is closed.

4 Segment information

The business reporting format of the Group for purpose of segment reporting is determined to be Residential, Business, Other and Crnogorski Telekom as the Group's risks and rates of return are affected predominantly by differences in the market and customers. The segments are organised and managed separately according to the nature of the customers and markets that the services rendered, with each segment representing a strategic business unit that offers different products and services.

The Residential Segment includes marketing, sales and customer services, focused on providing mobile, fixed line telecommunications and TV distribution and services to residential customers.

The Business Segment includes marketing, sales and customer services, focused on providing mobile and fixed line telecommunications and systems integration services to corporate customers, small- and medium-sized businesses and the public sector. The Business Segment is also responsible for the wholesale business in both fixed and mobile services.

The Other segment performs cross-segment management and support functions, and includes the Technology, Procurement, Accounting, Treasury, Legal and other central functions. The name of the segment was changed from previous name Network & support functions.

The Crnogorski Telekom segment includes the contribution of all Crnogorski Telekom's functions to Group financial results following the same reporting structure as used for other operating segments.

The Management Board, as the chief operating decision maker, monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on Revenue per segment (as calculated in the table below).

The Group's geographical disclosures are based on the geographical location of its customers.

Management of the Group does not monitor assets and liabilities by segments and therefore this information has not been disclosed. Fully owned subsidiaries Iskon Internet, Combis (that is owned through HT holding d.o.o.) and HT Production (until the merger with HT on 1 June 2022) are consolidated within the respective operating segments to which they relate.

The following tables present revenue and results information regarding the Group's segments:

Year ended 31 December 2023 EUR thousand	Residential	Business	Other	Crnogorski Telekom consolidated	Total
Mobile service revenue	230,297	111,049	-	37,776	379,122
Mobile non service revenue	97,057	56,458	13,734	10,660	177,909
Fixed service revenue	219,693	80,168	-	25,808	325,669
Fixed non service revenue	3,756	61,664	7,419	6,148	78,987
System solutions revenue	-	74,084	-	3,564	77,648
Net revenue	**550,803**	**383,423**	**21,153**	**83,956**	**1,039,335**
Other operating income	-	-	-	-	8,639
Operating expenses	-	-	-	-	(615,602)
Depreciation and amortization	-	-	-	-	(266,677)
Impairment of non current assets	-	-	-	-	(4,306)
Operating profit	**-**	**-**	**-**	**-**	**161,389**
Finance income (cost) net	-	-	-	-	(941)
Profit before income tax	**-**	**-**	**-**	**-**	**160,448**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

4 Segment information (continued)

Year ended 31 December 2022 EUR thousand	Residential	Business	Other	Crnogorski Telekom consolidated	Total
Mobile service revenue	219,802	104,783	-	35,154	359,739
Mobile non service revenue	72,494	46,477	19,378	9,970	148,319
Fixed service revenue	213,999	80,606	-	24,488	319,093
Fixed non service revenue	3,168	62,712	7,316	6,080	79,276
System solutions revenue	-	73,696	-	3,381	77,077
Net revenue	**509,463**	**368,274**	**26,694**	**79,073**	**983,504**
Other operating income	-	-	-	-	8,639
Operating expenses	-	-	-	-	(615,602)
Depreciation and amortization	-	-	-	-	(266,677)
Impairment of non current assets	-	-	-	-	(4,306)
Operating profit	**-**	**-**	**-**	**-**	**125,606**
Finance income (cost) net	-	-	-	-	(8,212)
Profit before income tax	**-**	**-**	**-**	**-**	**117,394**

Revenue by geographical area	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Republic of Croatia	863,804	813,218	803,867	746,973
Rest of the world	175,531	170,286	64,526	68,014
	1,039,335	**983,504**	**868,393**	**814,987**

The majority of the Group's and the Company's assets are located in Croatia.
None of the Group's and the Company's external customers represent a significant source of revenue.

Revenue by category	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Revenue from rendering of services	839,922	805,785	706,565	681,735
Revenue from sale of goods and merchandise	199,413	177,719	161,828	133,252
	1,039,335	**983,504**	**868,393**	**814,987**

Revenue by category	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Revenue realized over time	833,523	807,013	676,002	650,396
Revenue realized at point in time	205,812	176,491	192,391	164,591
	1,039,335	**983,504**	**868,393**	**814,987**

5 Other operating income

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Liabilities write off	4,212	1,028	4,211	899
Income from penalties and damage compensations	827	2,739	797	2,601
Gain from sale of property, plant and equipment	638	5,880	590	5,805
Sale of subsidiary	-	1,678	-	-
Sale of waste	240	199	125	145
Other income	2,722	2,640	2,324	2,004
	8,639	**14,164**	**8,047**	**11,454**

Other income consists of various transactions such as sale of equipment to employees, different discounts and rebates from suppliers and customers.

6 Merchandise, material and energy expenses

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Purchase cost of goods sold	192,078	169,544	145,449	123,858
Energy costs	33,306	36,011	31,520	34,019
Cost of raw material and supplies	3,084	2,535	2,227	1,704
Cost of services sold	1,080	1,593	1,029	1,488
	229,548	**209,683**	**180,225**	**161,069**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

7 Service expenses

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
International interconnection	40,585	41,271	21,920	21,885
Domestic interconnection	23,911	27,680	20,558	23,089
Copyright fees	14,337	12,072	12,899	9,872
Online services	4,941	3,920	4,126	3,958
Cleaning services	2,503	2,096	2,348	1,938
Bank and money transfer fees	1,811	1,731	1,666	1,560
Security services	1,647	1,592	1,495	1,469
Other services	12,589	9,167	12,487	8,965
	102,324	**99,529**	**77,499**	**72,756**

Other services consist of various services such as billing services, administration services, recruiting and human resource services, water cost, transportation and real estate services.

8 Depreciation, amortization and impairment of non-current assets

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Depreciation	119,834	122,141	106,448	107,136
Amortization	107,029	99,275	86,274	77,397
Amortization of Right-of-use assets	43,366	42,286	39,226	38,208
Total depreciation and amortization	270,229	263,702	231,948	222,741
Impairment loss of PPE & Intangible assets	754	1,918	628	1,917
Impairment loss of investment in joint venture	-	18,801	-	12,649
Total impairment of non-current assets	**754**	**20,719**	**628**	**14,566**

Notes 15, 16 and 17 disclose further details on amortization and depreciation expense and impairment loss.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS **NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

9 Employee benefits expenses

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Net salaries	93,500	86,058	72,244	66,225
Contributions and taxes from salaries	36,848	34,785	28,406	27,024
Contributions on salaries	17,475	16,552	13,818	13,065
Redundancy expenses	8,672	8,037	7,616	7,152
Amortisation of capitalized cost to obtain contract – own employees	630	672	630	672
Long-term employee benefits	230	251	105	124
Other employee related expenses	4,956	4,544	3,135	3,363
	162,311	**150,869**	**125,954**	**117,625**

Capitalized work performed by the Group and the Company is calculated on a basis of hourly rate per employee or on market services prices, where applicable. Besides employee expenses, other expenses are included in calculation of hourly rate per employee, such as depreciation, service expenses and other operating expenses. Costs that are capitalized relate mainly to CPE installation and development, implementation and integration of hardware and software solutions.

10 Other expenses

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Maintenance services	36,293	31,118	31,932	26,760
Advertising	14,402	13,886	11,733	11,219
Licence cost	10,216	17,496	9,403	15,926
Contract workers	9,504	12,438	7,141	9,656
Amortisation of capitalized cost to obtain contract - external parties	9,177	8,045	6,949	5,965
Selling commissions	7,755	7,651	7,049	7,052
Non-income taxes and contribution	5,841	5,561	4,307	3,945
Postal expenses	4,698	4,351	4,298	3,817
Daily allowances and other costs of business trips	2,753	2,320	2,037	1,699
Expenses from penalties and damage compensations	2,641	2,467	3,087	2,369
Insurance	2,120	1,954	1,992	1,807
Education and consulting	1,945	2,791	1,506	2,471
Rental costs (Note 17)	2,023	2,352	1,697	1,808
Expenses related to customers acquisition	992	981	992	981
Loss on disposal of fixed assets	329	334	256	298
Write down of inventories	133	241	133	241
Provisions for legal cases	(2,902)	6,563	(2,918)	6,637
Other operating charges	9,857	7,787	8,701	7,737
	117,777	**128,336**	**100,295**	**110,388**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

11 Finance income

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Foreign exchange gains	1,573	2,897	273	2,413
Interest income	7,009	951	6,552	718
Other financial income	4	35	4	10
	8,586	**3,883**	**6,829**	**3,141**

12 Finance cost

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Interest expense from leases	4,547	3,820	3,752	3,340
Interest expense from other financial liabilities	3,076	4,531	2,282	3,921
Foreign exchange loss	1,641	3,304	283	2,691
Other financial cost	263	440	68	240
	9,527	**12,095**	**6,385**	**10,192**

13 Income tax expense

	Group		Company	
a) Tax on profit	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Current tax expense	32,086	29,161	29,992	26,684
Deferred tax expense	(5,252)	632	(1,669)	(2,907)
Additional tax related to merger of subsidiary (Note 3)	-	-	-	1,373
	26,834	**29,793**	**28,323**	**25,150**

	Group		Company	
b) Reconciliation of the taxation charge to the income tax rate	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Profit before tax	160,448	117,394	153,484	117,368
Income tax at 18% (domestic rate)	28,881	21,131	27,627	21,126
Tax effect of:				
Tax adjustment related to previous years	-	-	11	1,396
Expenses not deductible for tax purposes	969	2,951	685	1,135
Effect of different tax rates	(520)	1,527	-	-
Tax effects of tax loss for which no deferred income tax asset was recognised	(2,397)	3,155	-	-
Tax paid abroad	94	184	-	-
Other	(193)	845	-	1,493
	26,834	**29,793**	**28,323**	**25,150**
Effective tax rate	16.72%	25.38%	18.45%	21.43%

The Group and the Company utilized a tax incentive in previous periods in respect of reinvesting profit and increasing the share capital in the same amount. If subsequently the capital that was increased by reinvested profit is decreased, this may result in a future tax liability for the Group and the Company. The Group and the Company believe a future tax liability will not arise in this regard.

Components and movements of deferred tax assets and liabilities are as follows:

Group Deferred tax assets recognized in:	31 December 2023 EUR thousand	(charged) / credited in 2023 EUR thousand	31 December 2022 EUR thousand	(charged) / credited in 2022 EUR thousand	Write off in 2022 EUR thousand	31 December 2021 EUR thousand
Statement of comprehensive income						
Non-tax deductible provisions	6,380	573	5,807	(248)	(1,493)	7,548
Property, plant and equipment write down	6,618	1,626	4,992	(883)	-	5,875
Accrued interest on legal cases	727	57	670	516	-	154
Losses	3,507	3,507	-	(1,081)	-	1,081
Accruals	5,403	(754)	6,157	2,471	-	3,686
Other	290	-	290	-	-	290
Deferred tax asset	**22,925**	**5,009**	**17,916**	**775**	**(1,493)**	**18,634**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

13 Income tax expense (continued)

Group	31 December 2023	(charged) / credited in 2023	31 December 2022	(charged) / credited in 2022	Write off in 2022	31 December 2021
Deferred tax liabilities recognized in:	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Statement of comprehensive income						
Property, plant, equipment and intangible assets	(3,783)	243	(4,026)	86	-	(4,112)
	(3,783)	**243**	**(4,026)**	**86**	**-**	**(4,112)**
Other comprehensive income						
Actuarial gains and losses	(362)	(8)	(354)	(7)	-	(347)
Deferred tax liability	**(4,145)**	**235**	**(4,380)**	**79**	**-**	**(4,459)**

Components and movements of deferred tax assets and liabilities are as follows:

Company	31 December 2023	charged) / credited in 2023	31 December 2022	Acquisition 2022	Write off 2022	(charged)/ credited in 2022	31 December 2021
Deferred tax assets recognized in:	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Statement of comprehensive income							
Losses	-	-	-	1,074	-	(1,074)	-
Non-tax-deductible provisions	5,796	739	5,057	-	(1,493)	2,319	4,231
Property, plant and equipment write down	6,246	1,627	4,619	-	-	(906)	5,525
Accrued interest on legal cases	727	57	670	-	-	516	154
Other	5,692	(754)	6,446	-	-	2,471	3,975
	18,461	1,669	16,792	1,074	(1,493)	3,326	13,885
Other comprehensive income							
Actuarial gains and losses	-	-	-	-	-	-	-
Deferred income tax asset	**18,461**	**1,669**	**16,792**	**1,074**	**(1,493)**	**3,326**	**13,885**

Company	31 December 2023	charged) / credited in 2023	31 December 2022	Acquisition 2022	Write off 2022	(charged)/ credited in 2022	31 December 2021
Deferred tax liabilities recognized in:	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Other comprehensive income							
Actuarial gains and losses	362	7	355	-	-	7	348
Deferred income tax liability	**362**	**7**	**355**	**-**	**-**	**7**	**348**

Deferred tax assets have been recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets have not been discounted. Out of total deferred tax assets, current portion amounts to EUR 10,655 thousand for Group and EUR 10,501 thousand for Company.

Deferred tax asset arises on the property, plant and equipment impairment, on provision of impairment of receivables and inventories (materials, merchandise), and related to accruals and provisions and other temporary differences.

There are no formal procedures in the Republic of Croatia to agree the final level of tax charge upon submission of the declaration for corporate tax. However, such tax settlements may be subject to review by the relevant tax authorities during the limitation period of six years. The limitation period of six years starts with the year that follows the year of submission of tax declarations, i.e. 2025 for the 2023 tax liability.

In 2015, the tax authorities started conducting a supervision review of HT's corporate tax and VAT returns for the year ended 2014. A lawsuit was filed in the Administrative Court in Zagreb against the second instance and first instance resolutions of the tax authorities related to tax supervision from 2014. The Decision of the Administrative Court for the lawsuit in question was adopted as of 23 September 2022. On 21 October 2022 an appeal was filed to the Administrative Court in Zagreb against the adopted decision. On 2 January 2024 the Higher Administrative Court in Zagreb issued a final binding Decision, which stipulates that HT was illegally charged for certain tax obligations, and the Tax Administration is ordered to return the illegally acquired funds from HT within 60 days, including default interest from day of payment. With this Decision of the Higher Administrative Court in Zagreb, the lawsuit proceedings have finished.

On reporting date, the Group has available EUR 33,907 thousand of tax loss, of which EUR 14,425 thousand has not been recognized as a deferred tax asset because it is not expected to be used in future periods. These losses relate to subsidiaries of the Group.

Losses expire in:	EUR thousand
2024	4,873
2025	2,446
2026	3,787
2027	17,527
2028	5,274
	33,907

Global Minimum Taxation

As at 31 December 2023 the Law on Minimum Global Profit Tax (Official Gazette 155/2023, 22.12.2023) entered into force, which will ensure global minimum taxation according to OECD Pillar-II regulations and the corresponding EU directive. Pursuant to Article 61 of the Law on Minimum Global Profit tax, this Law applies to fiscal years starting from 31 December 2023, therefore there is no minimum tax on the reporting date. Furthermore, HT Company and Group apply the exemption from recording deferred taxes related to global minimum taxes according to IAS 12.4A.

Due to the complexity of the provisions and the fact that the legislative process is not completed yet, it is not possible to give a reliable estimate of the future tax burden being related to this minimum tax legislation. Therefore, the potential tax burden has been assessed based on information available at the reporting date (historical information, planning data, et al).

Based on this assessment, the Group and the Company expect that it would not be subject to minimum taxation in any of the jurisdictions in which it operates in 2024, either by proving to meet the temporary safe harbor criteria or by providing evidence for a minimum taxation based on detailed calculations according to the GLoBE provisions.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

14 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are equal to basic earnings per share since there are no dilutive potential ordinary shares or share options.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Group		Company	
	2023	2022	2023	2022
Profit for the year attributable to ordinary equity holders of the Company (in EUR thousand)	132,029	86,986	125,161	92,218
Weighted average number of ordinary shares for basic earnings per share	78,334,748	79,191,974	78,334,748	79,191,974
Earnings per share (in EUR)	**1.69**	**1.10**	**1.60**	**1.16**

15 Intangible assets

Group	Licences	Software	Goodwill	Other assets	Assets under construction	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
As at 1 January 2022						
Cost	155,727	505,246	60,894	164,960	37,600	924,427
Accumulated amortization and impairment losses	(75,004)	(441,321)	(14,848)	(139,214)	-	(670,387)
Net book value	**80,723**	**63,925**	**46,046**	**25,746**	**37,600**	**254,040**
Year ended 31 December 2022						
Opening net book value	80,723	63,925	46,046	25,746	37,600	254,040
Other	-	-	41	-	-	41
Additions	1,378	16,832	-	33,353	50,737	102,300
Transfers	3,517	40,965	-	(81)	(44,401)	-
Disposal	(8)	(3)	-	(129)	-	(140)
Amortization charge	(14,228)	(46,035)	-	(39,012)	-	(99,275)
Impairment loss	-	-	-	(28)	-	(28)
Net book value	**71,382**	**75,684**	**46,087**	**19,849**	**43,936**	**256,938**
As at 31 December 2022						
Cost	160,621	563,043	60,935	198,232	43,936	1,026,767
Accumulated amortization and impairment losses	(89,239)	(487,359)	(14,848)	(178,383)	-	(769,289)
Net book value	**71,382**	**75,684**	**46,087**	**19,849**	**43,936**	**256,938**
Year ended 31 December 2023						
Opening net book value	71,382	75,684	46,087	19,849	43,936	256,938
Additions	5,189	15,553	-	48,102	167,143	235,987
Transfers	3,500	43,246	-	1,639	(48,385)	-
Amortization charge	(18,359)	(47,131)	-	(41,539)	-	(107,029)
Disposal	(115)	-	-	-	-	(115)
Net book value	**61,597**	**87,352**	**46,087**	**28,051**	**162,694**	**385,781**
As at 31 December 2023						
Cost	189,400	519,802	60,935	116,847	162,694	1,049,678
Accumulated amortization and impairment losses	(127,803)	(432,450)	(14,848)	(88,796)	-	(663,897)
Net book value	**61,597**	**87,352**	**46,087**	**28,051**	**162,694**	**385,781**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

15 Intangible assets (continued)

Company	Licences	Software	Goodwill	Other assets	Assets under construction	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
As at 1 January 2022						
Cost	97,155	437,466	-	73,958	31,289	639,868
Accumulated amortization and impairment losses	(47,595)	(386,921)	-	(63,730)	-	(498,246)
Net book value	**49,560**	**50,545**	**-**	**10,228**	**31,289**	**141,622**
Year ended 31 December 2022						
Opening net book value	49,560	50,545	-	10,228	31,289	141,622
Additions	932	11,652	-	25,705	45,414	83,703
Merger of subsidiary (Note 3)	5,332	436	6,567	5,252	-	17,587
Transfers	687	39,335	-	-	(40,022)	-
Disposal	(8)	(3)	-	(129)	-	(140)
Impairment loss	-	-	-	(28)	-	(28)
Amortization charge	(10,517)	(37,906)	-	(28,974)	-	(77,397)
Net book value	**45,986**	**64,059**	**6,567**	**12,054**	**36,681**	**165,347**
As at 31 December 2022						
Cost	104,105	488,889	6,567	104,915	36,681	741,157
Accumulated amortization and impairment losses	(58,119)	(424,830)	-	(92,861)	-	(575,810)
Net book value	**45,986**	**64,059**	**6,567**	**12,054**	**36,681**	**165,347**
Year ended 31 December 2023						
Opening net book value	45,986	64,059	6,567	12,054	36,681	165,347
Additions	68	8,102	-	40,839	164,971	213,980
Transfers	1,111	35,321	-	2,381	(38,813)	-
Amortization charge	(13,433)	(38,865)	-	(33,976)	-	(86,274)
Net book value	**33,732**	**68,617**	**6,567**	**21,298**	**162,839**	**293,053**
As at 31 December 2023						
Cost	126,055	458,409	6,567	74,739	162,839	828,609
Accumulated amortization and impairment losses	(92,323)	(389,792)	-	(53,441)	-	(535,556)
Net book value	**33,732**	**68,617**	**6,567**	**21,298**	**162,839**	**293,053**

The intangible assets of the Group as at 31 December 2023 include seven licences for Group and six licences for Company for use of the radio frequency spectrum and licence for 5G spectrum (Notes 2.4. e) and 44 b).

Other assets mainly consist of brand name EUR 1,381 thousand (31 December 2022: EUR 1,381 thousand), customer relationships EUR 749 thousand (31 December 2022: EUR 1,006 thousand) and capitalized content contracts EUR 17,838 thousand for Group and EUR 13,143 thousand for Company (31 December 2022: Group EUR 16,229 thousand, Company EUR 9,693 thousand).

Assets under construction primarily relate to the license for the use of radio frequency spectrum.

Intangible assets with indefinite useful life consist of brand name related to EVOtv with carrying value as at 31 December 2023 EUR 1,381 thousand (31 December 2022: EUR 1,381 thousand) and HAKOM licence related to EVOtv services with carrying value as at 31 December 2023 EUR 5,332 thousand (31 December 2022: EUR 5,332 thousand).

Additions of intangible assets

Major additions in 2023 relate to the license for the use of radio frequency spectrum in the amount of EUR 140,438 thousand for the Group and EUR 135,548 thousand for the Company and capitalized content costs in the amount of EUR 38,060 thousand for the Group and EUR 30,798 thousand for the Company.

Impairment testing of goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. An operating segment-level summary of the goodwill allocation is presented below:

	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Residential	13,898	13,898
Business	14,152	14,152
Crnogorski Telekom	18,037	18,037
	46,087	**46,087**

The key assumptions used for value in use calculations are as follows:

	Crnogorski Telekom		Residential		Business	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Growth rate	1.0%	1.0%	1.0%	1.0%	1,0%	1,0%
Discount rate (pre-tax)	10.53%	10.42%	10.75%	8.04%	8,04%	10,75%
Sales growth rate	0.8%	0.7%	1.6%	0.8%	0,8%	0,6%
Budgeted EBITDA margin	46.9%	48.1%	66.9%	47.7%	47,7%	48,2%
Average annual capital expenditure (EUR thousand)	20,827	19,073	134,539	71,913	71.913	69.836

The recoverable amount of a CGU is determined based on value in use calculations. The key assumptions reflect experience and expectations of market development, particularly the development of revenue, market share, customer acquisition and retention cost, capital expenditures and growth rate. The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates. The weighted average growth rate is used to extrapolate cash flows beyond the budgeted period and pre-tax discount rate is applied to the cash flow projections. The costs of central functions (Management and Administration) have been allocated between the segments for the purpose of impairment testing based on internal secondary cost allocation, using defined planed internal products. The measurements of CGU are founded on projections for a ten-year projection period that are based on financial plans that have been approved by management and are used for internal purposes. The planning horizon selected reflects the assumptions for short- to medium-term market developments and is selected to achieve a steady state in the business outlook that is necessary for calculating the perpetual annuity. This steady state can only be established based on this planning horizon, in particular due to the sometimes long investment cycles in the telecommunications industry and the investments planned and expected in the long run to acquire.

Crnogorski Telekom CGU

The recoverable amount of the Crnogorski Telekom CGU as of 31 December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the management covering a five-year period. Parameters beyond the five-year period are extrapolated using

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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15 Intangible assets (continued)

Crnogorski Telekom CGU (continued)

a 0.8% sales growth rate (2022: 0.7%) and 1% compound annual growth rate (2022: 1%). The pre-tax discount rate applied to cash flow projections is 10.53% (2022: 10.42%). Forementioned growth rates are based on compound annual growth rates in telecommunications industry and average rates derived from actual results in previous years. The management has also taken into consideration the recent negative impact and uncertainties caused by war in Ukraine, strong inflationary pressures and negative impact on available income of the consumers and economic activities as well as the overall economic situation in Crna Gora. As a result of this analysis, management has not recognised an impairment charge in the current year.

Residential CGU

The recoverable amount of the Residential CGU as of 31 December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the management covering a five-year period. Parameters beyond the five-year period are extrapolated using a 2.5% sales growth rate (2022: 1.6%) and 1% compound annual growth rate (2022: 1%). The pre-tax discount rate applied to cash flow projections is 8.04% (2022: 10.75%). Forementioned growth rates are based on compound annual growth rates in telecommunications industry and average rates derived from actual results in previous years. The management has also taken into consideration the recent negative impact and uncertainties caused by war in Ukraine, strong inflationary pressures and negative impact on available income of the consumers. As a result of this analysis, management has not recognised an impairment charge in the current year.

Business CGU

The recoverable amount of the Business CGU as of 31 December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the management covering a five-year period. Parameters beyond the five-year period are extrapolated using a 0.8% sales growth rate (2022: 0.6%) and 1% compound annual growth rate (2022: 1%). The pre-tax discount rate applied to cash flow projections is 8.04% (2022: 10.75%). Forementioned growth rates are based on compound annual growth rates in telecommunications industry and average rates derived from actual results in previous years. The management has also taken into consideration the recent negative impact and uncertainties caused by war in Ukraine, strong inflationary pressures and negative impact on economic activities, as well as positive impacts of Croatia entering the euro zone and Schengen zone. As a result of this analysis, management has not recognised an impairment charge in the current year.

Impairment testing of brand

HT Production has registered the trademark "EVOtv" as intellectual property rights. After the merger of HT Production with HT d.d. in 2022, the trademark "EVOtv" became intellectual property rights of HT. EVOtv is included in Residential CGU segment for the purpose of impairment testing.

Brand is an indefinite – lived asset, and it is tested for impairment annually using the Relief from Royalty method. The brand value represents the net present value of the projected brand earnings, discounted using the pre-tax discount rate on projected cash flows. The net present value calculation comprises both the explicit five and a half year projections and the terminal period, as this reflects the brand's ability to create revenues in perpetuity. The growth rate of projected cash flows and the discount rate used is the same as the key assumptions utilised in the impairment testing of goodwill (reflected above).

First licence is granted to HT Production on 26 October 2011. Licence is renewed every ten years and there is no risk assigned to the renewal of HAKOM licence; accordingly, HAKOM licence is an indefinite-lived intangible asset.

16 Property, plant and equipment

Group	Land and buildings EUR thousand	Telecom plant and machinery EUR thousand	Tools, vehicles, IT and office equipment EUR thousand	Assets under construction EUR thousand	Total EUR thousand
As at 1 January 2022					
Cost	426,595	1,824,375	137,439	137,531	2,525,940
Accumulated depreciation and impairment losses	(296,929)	(1,285,590)	(108,934)	-	(1,691,453)
Net book value	**129,666**	**538,785**	**28,505**	**137,531**	**834,487**
Year ended 31 December 2022					
Opening net book value	129,666	538,785	28,505	137,531	834,487
Additions	2,395	51,129	11,379	72,405	137,308
Transfers	3,294	67,758	3,809	(74,861)	-
Disposals	(10,524)	-	(342)	-	(10,866)
Depreciation charge	(10,598)	(101,514)	(9,914)	-	(122,026)
Impairment loss	-	-	(1,889)	-	(1,889)
Foreign exchange difference	-	197	-	-	197
Net book value	**114,233**	**556,355**	**31,548**	**135,075**	**837,211**
As at 31 December 2022					
Cost	421,760	1,943,459	152,285	135,075	2,652,579
Accumulated depreciation and impairment losses	(307,527)	(1,387,104)	(120,737)	-	(1,815,368)
Net book value	**114,233**	**556,355**	**31,548**	**135,075**	**837,211**
Year ended 31 December 2023					
Opening net book value	114,233	556,355	31,548	135,075	837,211
Additions	688	46,312	7,966	70,461	125,427
Transfers	(22,764)	70,750	6,662	(54,648)	-
Transfers from investment property	781	-	-	-	781
Disposals	-	(14)	-	-	(14)
Depreciation charge	(9,863)	(98,278)	(11,649)	-	(119,790)
Impairment loss	-	(126)	(628)	-	(754)
Net book value	**83,075**	**574,999**	**33,899**	**150,888**	**842,861**
As at 31 December 2023					
Cost	337,410	2,001,509	140,949	150,888	2,630,756
Accumulated depreciation and impairment losses	(254,335)	(1,426,511)	(107,049)	-	(1,787,895)
Net book value	**83,075**	**574,999**	**33,899**	**150,888**	**842,861**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

16 Property, plant and equipment (continued)

Company	Land and buildings EUR thousand	Telecom plant and machinery EUR thousand	Tools, vehicles, IT and office equipment EUR thousand	Assets under construction EUR thousand	Total EUR thousand
As at 1 January 2022					
Cost	312,984	1,670,440	115,401	133,000	2,231,825
Accumulated depreciation and impairment losses	(225,258)	(1,163,034)	(93,115)	-	(1,481,407)
Net book value	**87,726**	**507,406**	**22,286**	**133,000**	**750,418**
Year ended 31 December 2022					
Opening net book value	87,726	507,406	22,286	133,000	750,418
Additions	1,589	44,140	10,727	67,890	124,346
Merger of subsidiary (Note 3)	-	1,275	69	-	1,344
Transfers	3,264	67,335	2,904	(73,503)	-
Disposals	(10,507)	-	(312)	-	(10,819)
Depreciation charge	(9,475)	(89,748)	(7,798)	-	(107,021)
Impairment loss	-	-	(1,889)	-	(1,889)
Net book value	**72,597**	**530,408**	**25,987**	**127,387**	**756,379**
As at 31 December 2022					
Cost	318,184	1,782,844	129,102	127,387	2,357,517
Accumulated depreciation and impairment losses	(245,587)	(1,252,436)	(103,115)	-	(1,601,138)
Net book value	**72,597**	**530,408**	**25,987**	**127,387**	**756,379**
Year ended 31 December 2023					
Opening net book value	72,597	530,408	25,987	127,387	756,379
Additions	130	38,779	6,608	65,078	110,595
Transfers	1,932	47,226	1,720	(50,840)	-
Transfers from investment property	781	-	-	-	781
Disposals	(202)	(11)	(289)	-	(502)
Depreciation charge	(8,648)	(88,235)	(9,521)	-	(106,404)
Impairment loss	-	-	(628)	-	(628)
Net book value	**66,590**	**528,167**	**23,877**	**141,625**	**760,259**
As at 31 December 2023					
Cost	304,385	1,796,195	122,139	141,625	2,364,344
Accumulated depreciation and impairment losses	(237,795)	(1,268,028)	(98,262)	-	(1,604,085)
Net book value	**66,590**	**528,167**	**23,877**	**141,625**	**760,259**

Beginning in 2001, the Group has performed additional procedures which have provided support for the existence of legal title to land and buildings transferred from HPT s.p.o. under the Separation Act of 10 July 1998. The Group is still in the process of formally registering this legal title.

The Group does not have any material property, plant and equipment held for disposal.

Assets under construction

Assets under construction mainly relates to construction of mobile network devices and equipment of EUR 30,485 thousand (2022: EUR 26,594 thousand), and construction of core, transmission and IP network of EUR 83,584 thousand (2022: EUR 66,561 thousand).

Impairment loss

In 2023, the Group recognized an impairment loss on property, plant and equipment of EUR 753 thousand (2022: EUR 1,889 thousand), the Company EUR 628 thousand (2022: EUR 1,889 thousand) relating to change of equipment due to transfer to newer technology. The recoverable amount of that equipment is its estimated fair value less costs of disposal, which is based on the best information available to reflect the amount that the Group could obtain, at the statement of financial position date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

Disposal of property, plant and equipment

The disposal of the property, plant and equipment primarily relates to the disposal of land and building, telecom switches and devices, old tools, IT, office equipment and vehicles in the gross amount of EUR 93,851 thousand (2022: EUR 58,221 thousand) for the Group and the gross amount of EUR 54,237 thousand (2022: EUR 45,365 thousand) for the Company.

The gain from the sale is EUR 638 thousand (2022: EUR 5,880 thousand) for the Group and EUR 590 thousand (2022: EUR 5,805 thousand for the Company, the loss on the disposal is EUR 329 thousand (2022: EUR 334 thousand) for the Group and EUR 256 thousand (2022: EUR 298 thousand) for the Company.

Ownership over ducts

Although assets (including the ducts as a part of the infrastructure) were transferred from the legal predecessor of the Company, HPT Public Company, by virtue of the Law on Separation of Croatian Post and Telecommunication and contributed by the Republic of Croatia to the share capital at the foundation of the Company on 1 January 1999, according to other Croatian legislation, which is also known as Distributive Telecommunication Infrastructure (DTI, TI or ducts), does not have all the necessary documents (building, use permits etc.) which may be relevant to the issue of proving the ownership towards third parties. Some claims of ownership over these assets by the local authorities (the City of Zagreb) may have a material effect on the financial statements in the case that HT will not be able to prove its ownership rights for such ducts. However, HT management believes the likelihood of occurrence of such circumstances is remote. Therefore, no adjustments were made to these financial statements in respect of this matter.

The net book value of all the Group's and Company's ducts as at 31 December 2023 is EUR 82,458 thousand (31 December 2022: EUR 85,917 thousand).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

17 Right-of-use assets and lease liabilities

The Group and the Company leases various cell sites (land, space in cell towers or rooftop surface areas), network infrastructure, and buildings used for administrative or technical purposes and vehicles. Rental contracts are typically made for fixed periods of 6 months to 32 years.

In 2023 renewals of the lease agreements are treated as increase of the right-of-use assets (additions) and changes in the duration or fees in the agreements are classified as terminations or modifications (an early termination or change in initially defined fee in the agreement).

Group

In thousand EUR	Note	Land	Buildings	Equipment	Other	Total
Carrying amount at 1 January 2022		31,075	41,001	6,534	6,775	85,385
Additions		27,013	3,260	811	2,786	33,870
Terminations/modifications		(2,298)	(814)	(154)	(9)	(3,275)
Depreciation charge	8	(31,226)	(6,012)	(1,452)	(3,596)	(42,286)
Carrying amount at 31 December 2022		**24,564**	**37,435**	**5,739**	**5,956**	**73,694**
Additions		33,605	3,578	1,091	7,135	45,409
Terminations/modifications		278	(1,612)	(410)	(386)	(2,130)
Transfers		500	(56)	56	(500)	-
Write-offs		(728)	46	(579)	-	(1,261)
Depreciation charge	8	(31,083)	(6,429)	(1,418)	(4,436)	(43,366)
Carrying amount at 31 December 2023		**27,136**	**32,962**	**4,479**	**7,769**	**72,346**

The Group recognised lease liabilities as follows:

In thousand EUR	31 December 2023	31 December 2022
Short-term lease liabilities	16,038	20,156
Long-term lease liabilities	50,930	50,217
Total lease liabilities	**66,968**	**70,373**

Company

In thousand EUR	Note	Land	Buildings	Equipment	Other	Total
Carrying amount at 1 January 2022		27,809	37,781	3,681	5,301	74,572
Additions		26,526	2,432	493	2,787	32,238
Terminations/modifications		(2,078)	(667)	(127)	(9)	(2,881)
Depreciation charge	8	(29,004)	(4,920)	(884)	(3,400)	(38,208)
Carrying amount at 31 December 2022		**23,253**	**34,626**	**3,163**	**4,679**	**65,721**
Additions		29,318	2,642	626	7,177	39,763
Terminations/modifications		275	(1,200)	(272)	(185)	(1,382)
Write-offs		(728)	46	(579)	-	(1,261)
Depreciation charge	8	(28,801)	(5,268)	(818)	(4,339)	(39,226)
Carrying amount at 31 December 2023		**23,317**	**30,846**	**2,120**	**7,332**	**63,615**

The Company recognized lease liabilities as follows:

In thousand EUR	31 December 2023	31 December 2022
Short-term lease liabilities	13,918	16,723
Long-term lease liabilities	44,802	45,949
Total lease liabilities	**58,720**	**62,672**

The movement of lease liabilities is disclosed in Note 43.

Interest expense included in finance costs of 2023 was EUR 4,457 thousand (2022: EUR 4,254 thousand) for the Group and EUR 3,752 thousand (2022: EUR 3,340 thousand) for the Company.

Total cash outflow for leases in 2023 for the Group was EUR 45,568 thousand plus interest expense EUR 4,457 thousand (2022: EUR 42,127 thousand plus interest expense EUR 4,254 thousand).

Total cash outflow for leases in 2023 for the Company was EUR 40,556 thousand plus interest expense EUR 3,752 thousand (2022: EUR 38,528 thousand plus interest expense EUR 3,340 thousand).

Expenses relating to short-term leases in 2023 was EUR 2,023 thousand (2022: EUR 2,352 thousand) for the Group and EUR 1,697 thousand (2022:1,808 thousand) for the Company (Note 10).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

18 Investments in subsidiaries

	EUR thousand
As at 1 January 2022	
HT holding d.o.o.	212,098
HT Production d.o.o.	14,943
Merger of HT Production d.o.o.	(14,943)
Year ended 31 December 2022	**212,098**
As at 1 January 2023	
HT holding d.o.o.	165,748
Iskon Internet d.d.	46,349
HT Servisi d.o.o.	3
Year ended 31 December 2023	**212,100**

As at 1 June 2022 HT Production is merged to HT d.d. (Note 3). The initial investment in Iskon Internet was in HT holding and due to merger of Iskon Internet on 2 January 2024, investment in Iskon Internet d.d. was transferred from HT holding to HT in 2023 (Note 47).

Company HT holding d.o.o. acts as special purpose vehicle entity which holds following investments:

Company	Country of Business	Principal Activities	Ownership interest
Combis d.o.o.	Republic of Croatia	Provision of IT services	100%
Crnogorski Telekom AD	Republic of Montenegro	Provision of fixed and mobile telephony services, internet and data services	76.93%

19 Investments accounted for using the equity method

Investments accounted for using the equity method in Group refer to investment in JP HT d.d. Mostar, while in Company the same investment is classified as investment accounted for using the cost method (Note 20) in 2022. In 2023. for both Group and Company investment in JP HT d.d. Mostar is classified as assets held for sale (Note 24).

The net book value of investments accounted for using the equity method comprises of:

	2023 EUR thousand	2022 EUR thousand
Joint venture JP HT d.d. Mostar:		
As at 1 January	-	50,337
Share of profit	-	24
Dividends paid	-	-
Impairment of investment	-	(18,801)
Investment	-	31,561
Reclassification to assets held for sale	-	(31,561)
As at 31 December	**-**	**-**

Investment in joint venture:

The Group has an ownership interest of 39.1% in its joint venture JP HT d.d. Mostar which is incorporated in the Federation of Bosnia and Herzegovina. The principal activity of this company is provision of telecommunication services.

All decisions made by the Management Board and all decisions made by the Supervisory Board must be approved by both majority shareholders. Therefore, the investment is classified as a jointly controlled entity. The rest of the company is mainly owned by the Federation of Bosnia and Herzegovina (50.10%).

In 2023 and 2022, HT did not receive any dividend from JP HT d.d. Mostar.

The Company started the sale process during 2022 with the preparation of a valuation. As a result of valuation, investment in JP HT d.d. Mostar was impaired in the amount of EUR 18,801 thousand. As at 31 December 2022, the amount of investment of EUR 31,561 thousand is classified as assets held for sale (Note 24).

Summarised financial information for investments accounted for using the equity method is as follows:

Summarised statement of financial position:	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Joint venture JP HT d.d. Mostar:	Estimated	Actual
Current		
Cash and cash equivalents	14,638	24,967
Other current assets	52,730	43,690
Total current assets	**67,368**	**68,657**
Financial liabilities	2,464	91
Other current liabilities	27,104	31,955
Total current liabilities	**29,568**	**32,046**
Non-current assets	**143,872**	**143,429**
Financial liabilities	10,769	791
Other liabilities	155	8,648
Total non-current liabilities	**10,924**	**9,439**
Net assets	**170,748**	**170,601**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

19 Investments accounted for using the equity method (continued)

Summarised statement of comprehensive income:	2023 EUR thousand	2022 EUR thousand
Joint venture JP HT d.d. Mostar:	Estimated	Actual
Revenue	107,628	103,562
Depreciation and amortisation	(26,871)	(25,964)
Interest income	669	87
Interest expense	(678)	(1,113)
Pre-tax (loss)/profit	**275**	**378**
Income tax expense	(128)	(35)
Net income	147	343
Dividends received	-	-

Reconciliation of summarised financial information	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Joint venture JP HT d.d. Mostar	Estimated	Actual
Opening net assets 1 January	-	170,153
Profit for the period	-	343
Foreign currency translation	-	105
Closing net assets	**-**	**170,601**
Interest in joint venture 39.10%	-	170,601
Foreign currency translation	-	(416)
Impairment	-	(34.728)
Carrying value	**-**	**31,561**
Reclassification to asset classified as held for sale	**-**	**(31,561)**

20 Investments accounted for using the cost method

Investments accounted for using the equity method in Group refer to investment in JP HT d.d. Mostar (Note 19), while in Company the same investment is classified as investment accounted for using the cost method in 2022. In 2023. for both Group and Company investment in JP HT d.d. Mostar is classified as assets held for sale (Note 24).

The net book value of investments accounted for using the cost method comprises of:

	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Joint venture:		
JP HT d.d. Mostar	-	44,349
Impairment of investment	-	(12,649)
Reclassification to assets held for sale	-	(31,700)
	-	-

The Company started the sale process during 2022 with the preparation of a valuation. As a result of valuation, investment in JP HT d.d. Mostar was impaired in the amount of EUR 12,649 thousand. As at 31 December 2022, the amount of investment of EUR 31,700 thousand is classified as assets held for sale (Note 24).

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

21 Financial asset at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income, include the following:

		Group		Company	
Issuer	Currency	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
International bonds:					
Fortenova Group TopCo B.V., Amsterdam	EUR	766	766	766	766
Equity instruments		144	419	69	342
Total non-current financial assets		**910**	**1,185**	**835**	**1,108**

22 Financial asset at amortised cost

Financial assets at amortised cost include the following:

				Group		Company	
Issuer	Credit rating	Currency	Maturity	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Government bonds:							
Republic of Croatia	BBB+	EUR	27 November 2024	19,404	-	19,404	-
Total current financial assets				**19,404**	**-**	**19,404**	**-**

23 Inventories

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Inventories and spare parts (at lower of cost and net realisable value)	7,399	5,047	7,374	4,997
Merchandise (at lower of cost and net realisable value)	26,427	29,802	17,594	18,269
	33,826	**34,848**	**24,968**	**23,266**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

24 Asset classified as held for sale

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Asset classified as held for sale	31,561	31,561	31,700	31,700
	31,561	**31,561**	**31,700**	**31,700**

Assets classified as held for sale refers to the joint venture JP HT d.d. Mostar which is incorporated in the Federation of Bosnia and Herzegovina. The Group has an ownership share of 39.1%. The principal activity of this company is provision of telecommunication services.

The Company started the sale process during 2022 with the preparation of a valuation. As a result of valuation, investment in JP HT d.d. Mostar was impaired in the amount of EUR 18,801 thousand (the effect of impairment in the Company is EUR 12,649 thousand and total effect in the Group is EUR 18,801 thousand). As at 31 December 2023, the amount of investment of EUR 31,561 thousand in Group and 31,700 EUR thousand in Company is classified as assets held for sale. The management considers the sale process to be finalized within the next twelve months.

Estimated net book value of JP HT d.d. Mostar as at 31 December 2023 is EUR 170,748 thousand (financial information for 2023 represents estimations as JP HT d.d. Mostar did not issue its financial statements up to the date of issuing these consolidated and separate financial statements – Note 19).

25 Trade and other receivables

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Trade receivables	31,832	22,441	28,557	19,212
Loans to employees	6,167	7,095	1,992	1,940
Other receivables	1,103	456	314	374
Non-current financial instruments	39,101	30,082	30,863	21,527
Prepayments to regulator	-	5,007	-	5,007
Total non-current trade and other receivables	39,101	35,089	30,863	26,534
Trade receivables	219,870	189,022	167,817	145,964
Loans to employees	3,671	3,202	1,662	1,580
Other receivables	23,697	7,545	24,460	6,706
Current trade and other receivables	247,238	199,769	193,939	154,250
	286,339	**234,859**	**224,802**	**180,784**

Other receivables mainly refer to receivables from European structural and investment funds for EUBB project (EUR 19,442 thousand).

The aging analysis of current trade receivables and current and non-current contract assets as of 31 December 2023 is as follows:

Group	Total	Current	31–60 days	61–90 days	91–180 days	>180 days
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
31 December 2023						
Expected credit loss rate		1.69%	8.92%	11.67%	30.38%	76.66%
Gross carrying amount - trade receivables	**332,591**	218,552	3,942	1,290	3,267	105,540
Loss allowance	**(112,721)**	(6,376)	(507)	(252)	(2,269)	(103,317)
Net amount – trade receivables	**219,870**	212,176	3,435	1,038	998	2,222
Gross carrying amount - contract assets	**44,262**	44,262	-	-	-	-
Loss allowance	**(2,945)**	(2,945)	-	-	-	-
Net amount – contract assets	**41,317**	41,317	-	-	-	-

The aging analysis of current trade receivables and current and non-current contract assets as of 31 December 2022 was as follows:

Group	Total	Current	31–60 days	61–90 days	91–180 days	>180 days
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
31 December 2022						
Expected credit loss rate		2.26%	9.24%	11.61%	31.48%	75.68%
Gross carrying amount - trade receivables	**299,422**	184,663	4,400	1,710	2,368	106,281
Loss allowance	**(110,399)**	(4,774)	(414)	(201)	(956)	(104,055)
Net amount – trade receivables	**189,022**	179,889	3,986	1,510	1,412	2,226
Gross carrying amount - contract assets	**38,289**	38,289	-	-	-	-
Loss allowance	**(2,060)**	(2,060)	-	-	-	-
Net amount – contract assets	**36,229**	36,229	-	-	-	-

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For the year ended 31 December 2023

25 Trade and other receivables (continued)

The aging analysis of current trade receivables and current and non-current contract assets is as of 31 December 2023 is as follows:

Company	Total	Current	31–60 days	61–90 days	91–180 days	>180 days
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
31 December 2023						
Expected loss rate		0.24%	8.45%	8.45%	34.80%	87.59%
Gross carrying amount - trade receivables	**247,998**	170,626	2,641	661	2,148	71,922
Loss allowance	**(80,181)**	(5,598)	(435)	(170)	2,062	(71,556)
Net amount – trade receivables	**167,817**	164,668	2,206	491	86	367
Gross carrying amount - contract assets	**42,882**	42,882	-	-	-	-
Loss allowance	**(2,893)**	(2,893)	-	-	-	-
Net amount – contract assets	**39,988**	39,988	-	-	-	-

The aging analysis of current trade receivables and current and non-current contract assets as of 31 December 2022 was as follows:

Company	Total	Current	31–60 days	61–90 days	91–180 days	>180 days
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
31 December 2022						
Expected loss rate		2.56%	10.55%	10.55%	45.96%	90.16%
Gross carrying amount - trade receivables	**224,461**	148,504	1,515	776	758	72,908
Loss allowance	**(78,497)**	(4,377)	(329)	(125)	(758)	(72,908)
Net amount – trade receivables	**145,964**	144,127	1,186	651	-	-
Gross carrying amount - contract assets	**37,109**	37,109	-	-	-	-
Loss allowance	**(2,013)**	(2,013)	-	-	-	-
Net amount – contract assets	**35,096**	35,096	-	-	-	-

The following table explains the changes in the credit loss allowance for trade receivables under simplified ECL model between the beginning and the end of the annual period:

	Group		Company	
	Contract asset EUR thousand	Trade receivables EUR thousand	Contract asset EUR thousand	Trade receivables EUR thousand
As at 1 January 2023	**2,060**	**110,399**	**2,013**	**78,497**
Credit loss allowance in current period	1,730	11,853	1,726	10,181
Financial assets derecognised during the period	-	(1,533)	-	(1,363)
Total credit loss allowance charge in profit and loss for the period	1,730	10,320	1,726	8,818
Write-offs	(845)	(7,998)	(846)	(7,134)
As at 31 December 2023	**2,945**	**112,721**	**2,893**	**80,181**

	Group		Company	
	Contract asset EUR thousand	Trade receivables EUR thousand	Contract asset EUR thousand	Trade receivables EUR thousand
As at 1 January 2022	**1,724**	**112,649**	**1,682**	**81,947**
Credit loss allowance in current period	966	9,552	961	7,547
Financial assets derecognised during the period	-	(2,048)	-	(1,959)
Total credit loss allowance charge in profit and loss for the period	966	7,504	961	5,588
Write-offs	(629)	(9,756)	(629)	(9,038)
As at 31 December 2022	**2,060**	**110,399**	**2,013**	**78,497**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

26 Assets and liabilities arising from contracts with customers

The Group has recognized following assets and liabilities related to contracts with customers:

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022. EUR thousand
Current contract asset resulting from				
Equipment and service sales	35,191	30,456	34,160	29,578
Value adjustment	(2,205)	(1,384)	(2,155)	(1,338)
Total current contract asset	**32,986**	**29,072**	**32,006**	**28,340**
Non current contract asset resulting from				
Equipment and service sales	9,070	7,832	8,721	7,531
Value adjustment	(738)	(675)	(738)	(676)
Total non current contract asset	**8,332**	**7,157**	**7,983**	**6,855**
Current capitalized contract cost resulting from				
Cost to obtain a contract	9,375	7,494	7,364	5,751
Cost to fulfil a contract	3,274	2,602	640	780
Total current capitalized contract cost	**12,650**	**10,096**	**8,004**	**6,531**
Non-current capitalized contract cost resulting from				
Cost to obtain a contract	28,569	21,875	23,321	16,824
Cost to fulfil a contract	232	329	152	215
Total non-current capitalized contract cost	**28,891**	**22,204**	**23,473**	**17,039**
Current contract liabilities	12,085	10,368	6,646	4,828
Total current contract liabilities	**12,085**	**10,368**	**6,646**	**4,828**

Increase of contract asset compared to previous year is primarily result of higher value of granted handset budgets in current year compared to previous year.

Increase of contract cost compared to previous year is result of increased fees paid to indirect partners for contract acquisitions.

At 31 December 2023 the Group recognised EUR 7,060 thousand (31 December 2022: EUR 8,408 thousand) of revenue that was included in the contract liability balance at the beginning of the period.

At 31 December 2023 the Company recognized EUR 4,451 thousand of revenue that was included in the contract liability balance at the beginning of the period (2022: EUR 6,085 thousand).

The Group and the Company have recognized following revenue adjustments from contracts with customers, which was not in line with billed revenue, per following categories:

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Sale of goods	24,726	21,797	24,633	21,720
Sale of services	(21,458)	(22,684)	(21,346)	(22,506)
Total Residential Customers	**3,268**	**(887)**	**3,287**	**(786)**
Sale of goods	25,949	21,616	24,631	20,560
Sale of services	(23,455)	(22,398)	(22,355)	(21,658)
Total Business Customers	**2,493**	**(782)**	**2,276**	**(1,098)**

Through our accounts and reporting we distinguish the following:
- Revenues invoiced to customers from our billing systems,
- IFRS 15 timing revenue adjustments on top of billed / invoiced revenue.

This table above relates to the second and adjustments here mainly relate to sold subsidized / discounted HW / granted budgets for sale of goods in current year and reduction of service revenue from current and previous years.

The following table presents information on unsatisfied performance obligations resulting from long-term contracts with customers.

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Aggregate amount of the transaction price allocated to long term contracts with customers that are unsatisfied	176,437	150,779	157,896	131,829

For the Group, Management expects that 76% (EUR 134,758 thousand) of the transaction price allocated to unsatisfied contracts as at 31 December 2023 will be recognized as revenue during the next reporting period. The remaining 24% (EUR 41,679 thousand) will be recognized in the next 1.5 years.

For the Company, Management expects that 77% (EUR 121,829 thousand) of the transaction price allocated to unsatisfied contracts as at 31 December 2023 will be recognized as revenue during the next reporting period. The remaining 23% (EUR 36,067 thousand) will be recognized in the next 1.5 years.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

27 Prepayments

Non current prepayments	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Advances towards third parties	28,155	24,629	24,629	24,629
	28,155	**24,629**	**24,629**	**24,629**

Non-current prepayments in the amount of EUR 28,155 thousand for the Group and EUR 24,629 thousand for the Company are consisted of advances for sports content rights secured by bank guarantees.

Current prepayments	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Prepaid liabilities for concession fees towards regulator	3,775	10,234	3,775	10,235
Advances towards third parties	7,076	10,667	4,387	3,414
	10,851	**20,901**	**8,162**	**13,649**

28 Cash and cash equivalents and bank deposits

a) Cash and cash equivalents

Cash and cash equivalents comprise the following amounts:

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Cash on hand and balances with banks	51,248	241,976	31,912	208,328
Commercial papers (i)	109,572	99,572	109,572	99,572
Reverse repurchase agreement (ii)	-	30,000	-	30,000
Time deposits with maturity less than 3 months (iii)	72,258	1,875	49,358	1,875
	233,078	**373,422**	**190,842**	**339,775**

(i) Refers to two (2) commercial papers of the issuer Deutsche Telekom, with maturity under 3 months and with average interest rate of 3.84%

(ii) At 31 December 2022 HT has deposited an amount of EUR 30,000 thousand via reverse repurchase agreement of Croatian government bonds CROATIA 1,75% 03/04/41 (ISIN: XS2309433899) which matured in 2023.

(iii) Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents were also assessed regarding ECL with immaterial effects.

b) Currency breakdown of cash and cash equivalents and time deposits:

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
EUR	230,845	367,478	190,145	337,180
GBP	149	176	79	175
USD	643	3,013	617	2,420
BAM	1,382	2,530	-	-
RSD	58	225	-	-
	233,078	**373,422**	**190,842**	**339,775**

Considering the introduction of the euro as the official currency in the Republic of Croatia from 1 January 2023, and the different treatment of the euro as a currency in the previous year, the Group and the Company have reclassified the amounts within the note lines as of 31 December 2022 to make the data comparable. This did not affect the total amount of cash and cash equivalents in 2022.

c) Bank deposits over 3 months

Group	Current		Non-current	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Foreign bank (guarantee deposits)	-	3,500	-	-
Foreign bank (bank deposits)	10,000	10,000	-	-
	10,000	**13,500**	**-**	**-**

On 31 December 2022 and 31 December 2023, Hrvatski Telekom did not have any bank deposits.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

29 Trade payables and other liabilities

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Content contracts	1,694	4,973	993	69
Licence for radio frequency spectrum	7,197	11,048	5,919	11,048
Other	568	481	426	464
Non-current	9,459	16,502	7,338	11,581
Trade payables	180,451	140,955	145,025	109,401
Content contracts	20,566	14,399	15,506	12,481
VAT and other taxes payable	7,034	3,876	4,735	643
Payroll and payroll taxes	9,027	8,652	7,474	7,187
Licence for radio frequency spectrum	281	-	-	-
Other	8,483	5,345	6,398	3,101
Current	225,842	173,227	179,138	132,813
	235,301	**189,729**	**186,476**	**144,394**

30 Employee benefit obligations

In addition to retirement and jubilee benefits, employee benefits include a compensations for the employees regarding Incentive plans such as LTI (Long Term Incentive) and Game Changer described in Note 45.

Other short term liabilities to employees are disclosed and described in Note 32.

The movement in the liability recognized in the statement of financial position was as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
As at 1 January	3,863	2,819	3,433	2,486
Incentive plan changes	2,669	1,929	2,579	1,903
Incentive plan paid	(1,414)	(747)	(1,414)	(728)
Incentive plan transfer to other liabilities	(22)	(261)	(9)	(266)
Service costs	210	108	106	106
Interest cost	5	98	5	5
Benefit paid	(66)	(58)	(59)	(39)
Transfer of benefits	-	14	-	-
Actuarial gains	(39)	(39)	(38)	(39)
As at 31 December	**5,207**	**3,863**	**4,603**	**3,408**
Retirement	250	237	234	221
Jubilee awards	424	323	-	-
Incentive plans	4,533	3,303	4,369	3,187
	5,207	**3,863**	**4,603**	**3,408**
Retirement	250	237	234	221
Jubilee awards – non-current	394	309	-	-
Incentive plans– non-current	2,257	1,831	2,097	1,745
Non-current	2,901	2,377	2,331	1,966
Jubilee awards – current	30	14	-	-
Incentive plans – current	2,276	1,472	2,272	1,442
Current	2,306	1,486	2,272	1,442
	5,207	**3,863**	**4,577**	**3,408**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

30 Employee benefit obligations (continued)

The principal actuarial assumptions used to determine retirement benefit obligations as at 31 December were as follows:

	Group		Company	
	2023	2022	2023	2022
Discount rate (annually) in %	3.0	3.0	3.0	3.0

31 Provisions

Group	Legal claims EUR thousand	Assets retirement obligation EUR thousand	Total EUR thousand
As at 1 January 2022	**10,380**	**4,511**	**14,891**
Additions	6,854	228	7,082
Utilisation	(5,069)	-	(5,178)
Net changes	(234)	(108)	(234)
Interest costs	(57)	223	166
As at 1 January 2023	**11,874**	**4,853**	**16,728**
Additions	1,753	-	1,753
Utilisation	(361)	-	(361)
Reversals	(4,655)	(4)	(4,659)
Interest costs	-	299	299
As at 31 December 2023	**8,610**	**5,149**	**13,759**

Company	Legal claims EUR thousand	Assets retirement obligation EUR thousand	Total EUR thousand
As at 1 January 2022	**9,823**	**4,152**	**13,975**
Additions	6,838	173	7,011
Utilisation	(4,953)	(108)	(5,061)
Reversals	(201)	-	(201)
Interest costs	-	223	223
As at 1 January 2023	**11,507**	**4,439**	**15,946**
Additions	1,733	-	1,733
Utilisation	(361)	-	(361)
Reversals	(4,651)	(4)	(4,655)
Interest costs	-	247	247
As at 31 December 2023	**8,227**	**4,682**	**12,910**

Legal claims

As at 31 December 2023, the Group has provided estimated amounts for several legal actions and claims that management has assessed as probable to result in outflow of resources of the Group.

32 Accruals

Group	Variable salary EUR thousand	Redundancy EUR thousand	Unused vacation EUR thousand	Total EUR thousand
As at 1 January 2022	**8,418**	**3,219**	**755**	**12,393**
Additions	15,794	7,152	582	23,527
Utilisation	(14,498)	(6,856)	149	(21,206)
Reversal	(618)	-	(10)	(627)
As at 1 January 2023	**9,096**	**3,514**	**1,476**	**14,087**
Additions	17,082	8,181	18	25,281
Utilisation	(15,628)	(7,150)	-	(22,779)
Reversal	-	-	(140)	(140)
As at 31 December 2023	**10,550**	**4,545**	**1,354**	**16,449**

Company	Variable salary EUR thousand	Redundancy EUR thousand	Unused vacation EUR thousand	Total EUR thousand
As at 1 January 2022	**6,865**	**3,219**	**621**	**10,705**
Additions	13,362	7,152	-	20,514
Utilisation	(12,079)	(6,865)	-	(18,787)
Reversal	(618)	-	149	(618)
As at 1 January 2023	**7,530**	**3,514**	**770**	**11,815**
Additions	14,125	7,616	-	21,741
Utilisation	(13,068)	(6,634)	-	19,702
Reversal	-	-	(97)	(97)
As at 31 December 2023	**8,587**	**4,497**	**673**	**13,757**

Redundancy

Redundancy expenses and accruals include the amount of gross severance payments and other related costs for employees whose employment contracts are terminated during 2023.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

33 Issued share capital

As of 31 December 2023, the share capital of the Company totalled EUR 1,359,742 thousand (31 December 2022: EUR 1,359,742 thousand). The share capital is divided into 78,775,842 no par value registered shares (31 December 2022: 78,775,842).

34 Legal reserves

Legal reserves represent reserves prescribed by the Company Act in the amount of 5% of the net profit for the year, until these reserves amount to 5% of the issued share capital. These reserves are not distributable.

35 Cash flow hedge

The Company applies hedge accounting to hedged items in the statement of financial position and future cash flows, thus reducing income statement volatility. The hedged item is represented by the forecasted energy consumption of HT for the period beginning from 1 October 2024 until 30 September 2034.

Hedging relationships are exclusively accounted for in accordance with the requirements of IFRS (IFRS 9).

To hedge against variability in electricity prices, Croatian Telekom concluded on 25th May 2023 a cash flow hedge transaction in the form of a virtual Power Purchase Agreement (vPPA).

vPPA is concluded for future energy consumption for the period beginning from 1st October 2024 until 30th September 2034 and is expected to cover part of Company's energy consumption.

As of December 31, 2023, the fair value of the liability is EUR 172 thousand. Any future increase or decrease in fair value will be reported in the position of capital and long-term financial assets or liabilities, depending on the amount of the instrument's valuation.

Sensitivity analysis:

Overview of FV Sensitivities of the Hedging Instrument	Price of electricity		
Valuation date 31.12.2023	Base Case	Price +10 %	Price -10%
Fair Value (thousand EUR)	(171.55)	4,284.57	(4,631.33)

36 Treasury shares

In 2017, the Company started with acquisition of own shares due to introduction of share buy-back program which lasted until 20 April 2021. Within this program total of 1,853,528 shares are bought from the introduction of share buy-back program.

On 28 April 2021, Management Board launched a new Treasury Share Buyback Program with commencement as of 29 April 2021 and lasting until 22 April 2026. Under this Program the Company continuously performs acquisition of shares in order to act in line with the purpose of the Program which is to withdraw shares without a nominal value without reducing the share capital. In 2023, a total of 808,252 shares were bought and 775,842 shares were cancelled in January 2024.

The Company holds 811,054 own shares as at 31 December 2023 (31 December 2022: 19,952).

In 2023 Crnogorski Telekom has also carried out purchase of own shares. Total of 687,000 shares were bought in 2023 but none were cancelled.

Reserve for purchased own shares of Company amounts to EUR 21,226 thousand as of 31 December 2023 (31 December 2022: EUR 472 thousand) and is not distributable. Crnogorski Telekom does not create reserve for purchased own shares.

37 Retained earnings

In 2023, General Assembly of the Company has brought the decision regarding the dividend pay-out. Under that decision, EUR 86,464 thousand (2022: EUR 83,649 thousand) or EUR 1.10 per share were paid out to shareholders (2022: EUR 1.06). Dividend was distributed from net profit in 2022.

38 Commitments

Capital commitments

The Group and the Company were committed under contractual agreements to capital expenditure as follows:

	Group		Company	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Intangible assets	85,195	94,288	83,262	91,805
Property, plant and equipment	102,248	125,019	100,980	123,748
	187,443	**219,307**	**184,242**	**215,553**

Future payments regarding short-term leases are EUR 2,023 thousand (31 December 2022 EUR 2,352 thousand) for the Group and EUR 1,697 thousand (31 December 2022 EUR 1,808 thousand) for the Company (Note 10).

Off-balance sheet bank guarantees amount to EUR 11,012 thousand (31 December 2022 EUR 4,833 thousand) for the Company and EUR 17,095 thousand (31 December 2022 EUR 9,080 thousand) for the Group at 31 December 2023.

39 Contingencies

At the time of preparation of these consolidated and separate financial statements, there are outstanding claims against the Group. In the opinion of the management, the settlement of these cases will not have a material adverse effect on the financial position of the Group, except for certain claims for which a provision was established (Note 31).

The Group vigorously defends all of its legal claims and potential claims, including regulatory matters, third party claims and employee lawsuits.

Ownership claim of Distributive Telecommunication Infrastructure (DTI) by the City of Zagreb

In September 2008, the Group received a lawsuit filed by the Zagreb Holding Ltd. branch Zagreb Digital City ("ZHZDG") against the Group. ZHZDG is claiming the ownership of the City of Zagreb over DTI on the area of the City of Zagreb and demanding a payment of fee for usage of DTI system in the range of up to EUR 51,762 thousand plus interest.

This lawsuit is based on a claim that the HT is using DTI owned by the City of Zagreb without any remuneration.

In December 2012, the Group received the partial interlocutory judgement and partial judgement by which it was determined that the HT is obliged to pay to ZHZDG the fee for usage of the DTI system, and that until the legal validity of this partial interlocutory judgment, litigation will be stopped regarding the amount of the claim. Furthermore, the claim was rejected in the part concerning the establishment of the ownership of the City of Zagreb over DTI and other communal infrastructure for laying telecommunication installations on the area of the City of Zagreb for the purpose of communication-information systems and services. The Group appealed against this judgment.

In August 2015 the second instance County Court of Varaždin accepted the HT's remedy and returned the case back to the first instance court proceeding.

As to avoid statute of limitation, the plaintiff has raised its claim in June 2016, 2017 and 2018, for the additional amount of EUR 11,945 thousand each year respectively. Therefore, the claim now amounts altogether EUR 87,597 thousand, plus interest.

Subscriber lawsuits

7 residential subscribers initiated in 2003 against Republic of Croatia as first defendant and HT as second defendant a dispute, in which the Municipal Civil Court in Zagreb passed in a retrial in 2021 first-instance decision by which: (i) the contractual provisions of the Concession Agreement for the Provision of Public Voice Services in the Fixed Network concluded between Republic of Croatia and HT in 1999, as amended in 2001 (Concession Agreement), has been determined as void in the part concerning monthly access charge and 1 minute billing interval; and (ii) ordered a payment in the amount of EUR 122 per claimant plus interest.

In 2022 the County Court of Zagreb confirmed the first instance judgement by which HT was finally obliged to such payment. HT filed against final court decision a proposal to submit revision before the Supreme Court of the Republic of Croatia, as well as the constitutional claim before the Constitutional Court of the Republic of Croatia, with the arguments that it was charging its residential subscribers in accordance with the Concession Agreement, as well as other applicable laws and regulations.

Apart from the 7 mentioned plaintiffs in the above described procedure, there are 5 more plaintiffs who initiated litigation against Republic of Croatia as first defendant and HT as second

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

39 Contingencies (continued)

Subscriber lawsuits (continued)

defendant with the same claim. These procedures are pending.

There is a possibility of additional claims that could be initiated against HT on the same factual and legal ground.

Pending regulatory misdemeanour proceedings

In 2020 the Croatian Regulatory Authority for Network Industries (HAKOM) initiated misdemeanour proceeding against HT in connection with possible breach of imposed regulatory obligations in 2018. In 2023, due to the statute of limitations, the court issued a decision suspending this misdemeanour proceeding.

In 2023 the Croatian Regulatory Authority for Network Industries (HAKOM) initiated two new misdemeanour proceedings against HT in connection with possible breach of imposed regulatory obligations during 2020 and 2021. For such misdemeanour Electronic Communications Act prescribes a penalty in the amount of 1%-10% of a yearly gross turnover achieved in the year in which the misdemeanour was committed and for which concluded financial reports exist, respectively according to the latest available concluded financial reports. Both proceedings are ongoing.

40 Balances and transactions with related parties

The transactions disclosed below primarily relate to transactions with the companies owned by DTAG. The Group enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies during 2023 and 2022.

The main transactions with related parties during 2023 and 2022 were as follows:

	Group				Company			
Related party:	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
	Revenue		Expense		Revenue		Expense	
Ultimate parent								
Deutsche Telekom	4,712	5,692	12,084	11,193	1,112	1,713	6,300	6,287
Joint venture								
JP HT d.d. Mostar	5,612	3,140	1,545	733	765	663	305	367
Subsidiaries of ultimate parent								
Telekom Deutschland	11,526	11,245	11,398	11,681	11,416	11,245	11,351	11,681
T-Mobile Austria	2,494	2,129	1,678	1,520	2,489	2,123	1,673	1,511
Slovak Telecom	1,434	1,867	134	407	1,304	1,854	134	406
Magyar Telekom	1,874	1,614	393	671	1,568	1,468	306	555
Deutsche Telekom Cloud Services	1,076	145	-	-	884	90	-	-
T-Mobile Czech	1,785	1,801	165	142	1,782	1,799	165	140
Deutsche Telekom UK Limited	1,274	957	156	121	1,272	956	156	121
T-Mobile Polska	812	751	410	367	806	751	403	367
DT Europe Holding	-	-	180	255	-	-		250
T-Systems International	620	218	5,037	2,393	620	218	4,918	2,270
Makedonski Telekom	285	163	13	-	39	66	13	12
Hellenic Telecommunications Organization	-	-	57	771	-	-	48	736
Deutsche Telekom Services Europe SE	-	-	657	742	-	-	646	742
Others	446	395	405	317	377	318	535	267
	33,950	**30,117**	**34,312**	**31,313**	**24,434**	**23,264**	**26,953**	**25,712**

The transactions with DTAG disclosed above primarily relate to Licence Agreement and Frame agreement which covers all mutual needs for services provided by the companies in DT group in telecom industry. The transactions with JP HT d.d. Mostar relate to international settlement of telecommunications services.

The statement of financial position includes the following balances resulting from transactions with related parties:

Group	Receivables		Payables	
Related party:	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Ultimate parent				
Deutsche Telekom	37	147	5,404	9,048
Joint venture				
JP HT d.d. Mostar	1,674	405	-	-
Subsidiaries of ultimate parent				
T-Systems International	-	-	5,436	1,741
Deutsche Telekom Cloud Services	238	375	-	-
Makedonski Telekom	443	208	-	-
Magyar Telekom.	307	104	212	170
Telekom Deutschland	30	58	7,085	10,434
Deutsche Telekom UK Limited	-	-	634	492
Slovak Telecom	179	159	-	-
Cosmote	43	26	4	16
Others	17	8	741	1,091
	2,968	**1,490**	**19,646**	**22,992**

Company	Receivables		Payables	
Related party:	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Ultimate parent				
Deutsche Telekom	-	-	4,560	8,045
Joint venture				
JP HT d.d. Mostar	85	35	-	-
Subsidiaries of ultimate parent				
Telekom Deutschland	30	23	7,085	10,408
Makedonski Telekom	46	66	-	-
Deutsche Telekom Cloud Services	74	336	-	-
T-Mobile Polska	-	-	40	289
Magyar Telekom	93	54	-	-
Deutsche Telekom UK Limited	-	-	630	492
Slovak Telecom	179	159	-	-
T-Systems International	-	-	5,278	1,561
Others	9	8	589	732
	516	**681**	**18,182**	**21,528**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

40 Balances and transactions with related parties (continued)

At the year end the Group and the Company hold investment in commercial paper of ultimate parent in the amount of EUR 109,572 thousand (31 December 2022: EUR 99,718 thousand) (Note 28).

The Federal Republic of Germany is both a direct and an indirect shareholder and holds 30.4 % of the share capital of DTAG. Due to the average attendance at the shareholders' meetings, the Federal Republic of Germany represents a solid majority at the shareholders' meetings of DTAG, although it only has a minority shareholding, making DTAG a dependant company of the Federal Republic of Germany. Therefore, the Federal Republic of Germany and the companies controlled by the Federal Republic of Germany or companies over which the Federal Republic of Germany can exercise a significant influence are classified as related parties of DTAG, and consequently of the Group as well.

The Group did not execute as part of its normal business activities any transactions that were individually material in the 2023 or 2022 financial year with companies controlled by the Federal Republic of Germany or companies over which the Federal Republic of Germany can exercise a significant influence.

In 2023, the Company granted short term loans to Combis d.o.o. in amount of EUR 27,000 thousand (31 December 2022: EUR 5,309 thousand to Iskon Internet d.d. and EUR 11,945 thousand to Combis d.o.o.).

Interest rate for given loans amounts 5.4%.

The Company had the following transactions and balances with its subsidiaries excluding loans in the amount of EUR 3,010 thousand (31 December 2022: EUR 1,995 thousand):

Subsidiaries:	Revenues	Capital expenditures	Expenses	Receivables	Payables
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
2023 / 31 December 2023	20,893	15,807	6,424	30,191	8,680
2022 / 31 December 2022	21,145	21,281	6,345	25,301	9,405

Compensation of the members Supervisory Board

The chairman of the Supervisory Board receives remuneration in the amount of 1.5 times of the average net salary of the employees of the Company paid in the preceding month. To the deputy chairman, the amount of 1.25 of the average net salary of the employees of the Company paid in the preceding month is paid, while any other member receives the amount of one average net salary of the employees of the Company paid in the preceding month. To a member of the Supervisory Board, who is at the same time the Chairman of the Audit Committee of the Supervisory Board, in the amount of 1.5 of the average monthly net salary of the employees of the Company paid in the preceding month. A member of the Supervisory Board, who is also a member of one board or committee of the Supervisory Board, receives a remuneration in the amount of 1.25 of the average monthly net salary of the Company's employees paid in the previous month. A member of the Supervisory Board who is simultaneously a member of two or more committees of the Supervisory Board receives a remuneration in the amount of 1.5 of the average net salary of the Company's employees paid in the previous month.

DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In 2023, the Group paid a total amount of EUR 129 thousand (2022: EUR 123 thousand) to the members of its Supervisory Board and the Company paid a total amount of EUR 108 thousand (2022: EUR 105 thousand) to the members of its Supervisory Board. No loans were granted to the members of the Supervisory Board.

Compensation to key management personnel

In 2023, the total compensation paid to key management personnel of the Group amounted to EUR 7,725 thousand (2022: EUR 6,588 thousand) and to key management personnel of the Company amounted to EUR 6,019 thousand (2022: EUR 5,160 thousand). Key management personnel include members of the Management Boards of the Company and its subsidiaries and the Company's directors of Sector, who are employed by the Group and Company.

Compensation paid to key management personnel includes:

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Short-term benefits	7,725	6,588	6,019	5,160
	7,725	**6,588**	**6,019**	**5,160**

In 2023, the total cost of pension contribution of the Group is EUR 800 thousand (2022: EUR 731 thousand) and of the Company is EUR 557 thousand (2022: EUR 472 thousand).

41 Financial risk management objectives and policies

The Group and the Company are exposed to international service-based markets. As a result, the Group and Company can be affected by changes in foreign exchange rates. The Group and Company also extend credit terms to its customers and is exposed to a risk of default. The significant risks, together with the methods used to manage these risks, are described below. The Group or Company does not use derivative instruments either to manage risk or for speculative purposes.

a) Credit risk

The Group or Company have no significant concentration of credit risk with any single counter party or group of counterparties with similar characteristics. The Group and Company's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The Group or Company do not guarantee obligations of other parties.

The Group and Company consider that its maximum exposure is reflected by the value of debtors (Note 25) net of provisions for impairment recognized at the statement of financial position date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed (Note 25). Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. If receivables are uncollectible, and all legal procedures have been completed and the final amount of loss is known, the receivables are written off directly. If in the next period the amount of the credit loss is reduced, and the decrease can be directly related to an event that occurred after the write-off, previously recognized loss is discharged through profit or loss.

To account for expected credit losses, macroeconomic and external data is analysed – inflation rates, consumer credit interest rates, GDP per capita, unemployment and employment rates and consumer price index change. These data are put in correlation with historical HT customer payment behaviour in order to see possible change of credit risk percentages applied.

The standard contains the rebuttable assumption that a "default event" has occurred when the financial asset is more than 90 days overdue. The assumption may also be supported by the following indicators:

- Counterparty repeatedly fails to meet payment obligations and the service is blocked (contract not yet terminated).
- Counterparty is over the credit limit with unpaid invoices and fails to pay despite repeated demands.
- Country embargo/countries are in recession or payment restrictions by the relevant state bank.

In making these assumptions, estimates based on historical data and existing market conditions are used.

Detailed Expected credit loss (ECL) measurement and approach is explained in Note 2.3.

Additionally, the Group and Company are exposed to risk through cash deposits in the banks, as well as bonds and commercial papers. As at 31 December 2023, the Group had business transactions with thirty-two banks (2022: thirty-four banks) while Company had business with eight banks (2022: eight banks). The Group held cash and deposits in three banks almost exclusively. For one domestic bank with foreign ownership, the Group received guarantee for deposits placed from parent bank which has a minimum rating of BBB+ and acceptable Credit Default Swap level ("CDS"). The management of this risk is focused on dealing with the most reputable banks in foreign and domestic ownership in the domestic and foreign markets and on contacts with the banks on a daily basis.

The Group and Company apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group and Company have identified the GDP and the unemployment rate in the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Deposited amounts in banks are money on current account and deposits under 3 months which are collected at maturity. That is why it is classified as hold to collect according to IFRS 9 and according to that measurement is classified as financial assets at amortized cost. Credit risk is measured using the general approach. Impairment losses are recognized on the basis of individual impairment. Group and Company use the daily CDS-level which covers insurance for a period of five years. A CDS with an insurance of five years has the highest market liquidity and was therefore chosen as a reference. The CDS-level reacts immediately if a default risk increases - independently if an insurance with a period of three years or five years has been chosen. For the risk measure of banks and partners which don't provide adequate bank guarantee with acceptable CDS level or don't have their own adequate rating, Group and the Company took the CDS indicator of Croatia, which on 31 December 2023 amounted to 0.85%.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

41 Financial risk management objectives and policies (continued)

a) Credit risk (continued)

Credit risk amount calculated using the formula: deposit amount * number of days * 0.85% / 365. For a vista deposits the Group uses 2 days.

The exposure of non-current financial assets can be assessed by historical information about counterparty default rates:

	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Trade receivables for merchandise sold	31,832	22,441	28,557	19,212
Prepayments to regulator	-	5,007	-	5,007
Loans to employees	6,167	7,095	1,992	1,940
Other receivables	1,103	546	314	2,374
	39,101	**35,089**	**30,863**	**26,533**

Trade receivables from subsidiaries and other current receivables are neither past due nor impaired.

The credit quality of all other financial assets (Note 42) implies the total carrying amount as at the balance sheet date is considered.

b) Liquidity risk

The Group and Company's policy is to maintain sufficient cash and cash equivalents or to have available funding through an adequate amount of committed credit facilities to meet its commitments for the foreseeable future. Any excess cash is invested mostly in short-term financial assets that are valued at fair value through other comprehensive income.

The amounts of financial liabilities disclosed in the tables are the contractual undiscounted cash flows. The amounts of financial assets disclosed in the tables are the discounted cash flows (book values).

Group – Financial liabilities	Less than 3 months	3–12 months	1–5 years	>5 years	**Total**	**Book value**
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	**EUR thousand**	**EUR thousand**
31 December 2023						
Trade and other payables	184,529	-	426	-	**184,685**	**184,685**
Licence for radio frequency spectrum	70	932	3,606	4,327	**8,935**	**7,478**
Capitalized content rights	9,805	12,669	2,828	-	**25,302**	**22,260**
Other liabilities	26,013	-	-	-	**26,013**	**26,013**
Lease liabilities	6,656	12,857	37,516	25,944	**82,973**	**66,968**
31 December 2022						
Trade and other payables	145,552	-	-	-	**145,552**	**145,552**
Licence for radio frequency spectrum	-	849	5,043	8,070	**13,962**	**11,048**
Capitalized content rights	9,703	9,736	1,617	-	**21,056**	**19,372**
Other liabilities	15,794	-	-	-	**15,794**	**15,794**
Lease liabilities	7,398	15,698	33,100	31,093	**87,289**	**70,373**

Group – Financial assets	Less than 3 months	3–12 months	1–5 years	>5 years	**Total**
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	**EUR thousand**
31 December 2023					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	910	-	**910**
Trade receivables (Note 25)	216,649	3,220	31,832	-	**251,701**
Financial asset at amortized cost	-	19,404	-	-	**19,404**
31 December 2022					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	1,185	-	**1,185**
Trade receivables (Note 25)	185,385	3,637	22,441	-	**211,463**

Company – Financial liabilities	Less than 3 months	3–12 months	1–5 years	>5 years	**Total**	**Book value**
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	**EUR thousand**	**EUR thousand**
31 December 2023						
Trade and other payables	148,636	-	-	-	**148,636**	**148,636**
Licence for radio frequency spectrum	-	721	3,606	4,327	**8,654**	**5,919**
Capitalized content rights	8,652	8,164	1,128	-	**17,944**	**16,499**
Other liabilities	17,525	-	-	-	**17,525**	**17,525**
Lease liabilities	5,958	10,884	31,074	25,196	**73,112**	**58,720**
31 December 2022						
Trade and other payables	113,796	-	-	-	**113,796**	**113,796**
Licence for radio frequency spectrum	-	849	5,043	8,070	**13,962**	**11,048**
Capitalized content rights	6,767	6,135	76	-	**12,978**	**12,550**
Other liabilities	8,505	-	-	-	**8,505**	**8,505**
Lease liabilities	6,422	12,945	29,036	30,352	**78,755**	**62,672**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

41 Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Company - Financial assets	Less than 3 months	3–12 months	1–5 years	>5 years	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	**EUR thousand**
31 December 2023					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	835	-	**835**
Trade receivables (Note 25)	167,365	452	28,557	-	**196,375**
Financial asset at amortized cost	-	19,404	-	-	**19,404**
Loans receivable from subsidiaries (Note 40)	-	3,010	-	-	**3,010**
31 December 2022					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	1,108	-	**1,108**
Trade receivables (Note 25)	145,964	-	19,212	-	**165,176**
Loans receivable from subsidiaries (Note 40)	-	1,995	-	-	**1,995**

c) Other price risk

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes. We use derivative to hedge electricity price (Note 35), not for speculative gains. In the process, we monitor the effectiveness of the hedges on a regular basis.

d) Interest rate risk

The Group's and Company's exposure to the risk of changes in market interest rates relates primarily to the Group's and Company's financial assets at fair value through other comprehensive income and amortized cost, cash, cash equivalents, time deposits and bank borrowings.

The Group or Company are not exposed to variable interest rates.

e) Foreign currency risk

Considering that Croatia joined the euro area and adopted Euro as an official currency as at 1 January 2023, there is no foreign exchange currency risk to a change in the Euro exchange rate. The fixed official exchange rate is set at 7,53450 HRK per 1 EUR. There is no significant exposure to any other currencies; so, the currency risk is low.

f) Fair value estimation

The fair value of securities included in financial assets at fair value through other comprehensive income is estimated by reference to their quoted market price at the statement of financial position date (Note 42). The Group's and Company's principal financial instruments not carried at fair value are trade receivables, other receivables, non-current receivables, trade and other payables. The historical cost carrying amounts of receivables and payables, including provisions, which are all subject to normal trade credit terms, approximate their fair values.

g) Capital management

The primary objective of the Group's and Company's capital management is to ensure business support and maximise shareholder value. The capital structure of the Group comprises of issued share capital, reserves and retained earnings and totals EUR 1,658,553 thousand as at 31 December 2023 (31 December 2022: EUR 1,634,444 thousand).

The capital structure of the Company comprises issued share capital, reserves and retained earnings and totals EUR 1,670,870 thousand as at 31 December 2023 (31 December 2022: EUR 1,653,015 thousand).

The Group and Company manage its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022 (Notes 33 and 36).

For details about debt structure, please see note 43.

The Group and the Company continuously monitor both capital and net debt as relevant components. Management considers that the amount of capital and the structure of net debt are adequate.

In accordance with the Law on electronic money (Official Gazette No. 64/18, Article 41), the Company as electronic money institution and payment institution is obliged to report regulatory capital in its annual audited financial statements. These disclosures are not required by IFRS and the law does not require the disclosure of comparative information from previous year.

Regulatory capital for electronic money institutions

REGULATORY CAPITAL FOR ELECTRONIC MONEY INSTITUTIONS - FORM IEN-RK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2023

IEN-RK: Section A - Calculation of Regulatory Capital

No.	Item	Amount
		EUR
1.	**REGULATORY CAPITAL**	1,212,968,768.15
2.	**EQUITY TIER 1 CAPITAL**	1,212,968,768.15
3.	**COMMON EQUITY TIER 1 CAPITAL**	1,212,968,768.15
4.	Capital instruments	1,359,742,172.00
5.	Share premium	0.00
6.	(-) Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 Capital	-21,226,327.67
7.	Retained earnings or (-) carry back losses	117,966,162.60
8.	Losses for the current fiscal year	0.00
9.	Accumulated other comprehensive income	11,737.04
10.	Other reserves	67,889,447.76
11.	(+)/(–) Adjustments to the Common Equity Tier 1 from prudential filters	0.00
12.	Intangible assets	-293,053,165.62
13.	(-) Deferred tax assets that rely on future profitability and not arise from temporary differences	0.00
14.	(-) Pension fund assets under management	0.00
15.	(-) Reciprocal cross holdings in Common Equity Tier 1	0.00
16.	(-) Deduction from Common Equity Tier 1 items that exceed Additional Tier 1	0.00
17.	(-) Holdings of Common Equity Tier 1 instruments where an institution does not have a significant investment in a financial sector entity	0.00

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

41 Financial risk management objectives and policies (continued)

g) Capital management (continued)

Regulatory capital for electronic money institutions (continued)

No.	Item	Amount EUR
18.	(-) Deferred tax assets that rely on future profitability and arise from temporary differences	-18,461,257.96
19.	(-) Holdings of Common Equity Tier 1 instruments where an institution has a significant investment in a financial sector entity	0.00
20.	(-) Deduction over treshold (17.65%)	0.00
21.	(-) Deduction from Common Equity Tier 1 items - other	0.00
22.	**ADDITIONAL TIER 1 CAPITAL**	0.00
23.	Capital instruments	0.00
24.	Share premium	0.00
25.	(-) Direct, indirect and synthetic holdings by the institution of Additional Tier 1 Capital	0.00
26.	(-) Reciprocal cross holdings in Additional Tier 1	0.00
27.	(-) Holdings of Additional Tier 1 instruments where an institution does not have a significant investment in a financial sector entity	0.00
28.	(-) Holdings of Additional Tier 1 instruments where an institution has a significant investment in a financial sector entity	0.00
29.	(-) Deduction from Additional Tier 1 items that exceed Tier 2 Capital	0.00
30.	Deduction from Additional Tier 1 items that exceed Additional Tier 1 (deducted from Common Equity Tier 1)	0.00
31.	(-) Deduction from Additional Tier 1 items - other	0.00
32.	**TIER 2 CAPITAL**	0.00
33.	Capital instruments	0.00
34.	Share premium	0.00
35.	(-) Direct, indirect and synthetic holdings by the institution of Tier 2 Capital	0.00
36.	(-) Reciprocal cross holdings in Tier 2	0.00
37.	(-) Holdings of Tier 2 instruments where an institution does not have a significant investment in a financial sector entity	0.00
38.	(-) Holdings of Tier 2 instruments where an institution has a significant investment in a financial sector entity	0.00
39.	Deduction from Tier 2 Capital items that exceed Tier 2 Capital (deducted from Additional Tier 1)	0.00
40.	(-) Deduction from Tier 2 items - other	0.00
41.	**Notes**	0.00
42.	Profit for the year	125,161,197.98

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS **NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

REGULATORY CAPITAL FOR ELECTRONIC MONEY INSTITUTIONS - FORM IEN-RK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2023

IEN- RK: Section B – Capital available to calculate the amount of regulatory capital

Number	Item	Total amount EUR	Capital available to calculate the amount of regulatory capital EUR	Excess
		1	2	3
1.	Common Equity Tier 1 Capital	1,212,968,768.15	1,212,968,768.15	
2.	Additonal Tier 1 Capital	0.00	0.00	0.00
3.	Equity Tier 1 Capital	1,212,968,768.15	1,212,968,768.15	
4.	Tier 1 Capital	0.00	0.00	0.00
5.	**Regulatory Capital**		1,212,968,768.15	

Minimum required regulatory capital and requirements coverage

MINIMUM REQUIRED REGULATORY CAPITAL FOR ELECTRONIC MONEY INSTITUTIONS - FORM IEN-MRK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2023

IEN-MRK: Section A - Minimum required regulatory capital for electronic money institutions

Number	Calculation	Amount EUR
1.	Average unused electronic money	146.98
2.	Minimum required regulatory capital for electronic money institutions	2.94

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

41 Financial risk management objectives and policies (continued)

g) Capital management (continued)

Regulatory capital for payment institutions

REGULATORY CAPITAL FOR PAYMENT INSTITUTIONS - FORM IPP-MRK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2023

IPP-MRK: Section A - Minimum required regulatory capital for payment institutions

Number	Item	Amount EUR
1.	Total amount of payment transactions in the previous year	26,407,971.26
2.	Payment volume	2,200,664.27
3.	Total amount (4., 5. ,6., 7., 8.)	88,026.57
4.	4% of payment volume up to the amount of EUR 5 million	88,026.57
5.	2.5% of payment volume over the amount of EUR 5 million and up to the amount of EUR 10 million	0.00
6.	1% of payment volume over the amount of EUR 10 million and up to the amount of EUR 100 million	0.00
7.	0.5% of payment volume over the amount of EUR 100 million and up to the amount of EUR 250 million	0.00
8.	0.25% of payment volume over the amount of EUR 250 million	0.00
9.	Factor k	1.00
10.	**Minimum required regulatory capital for payment institutions**	**88,026.57**

h) Offsetting

The following financial assets and financial liabilities are subject to offsetting:

Group	Trade receivables		Trade payables	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Gross recognised amounts	40,507	44,738	54,238	63,487
Offsetting amount	(9,567)	(14,728)	(9,567)	(14,728)
	30,940	**30,010**	**44,671**	**48,759**

Company	Trade receivables		Trade payables	
	31 December 2023 EUR thousand	31 December 2022 EUR thousand	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Gross recognized amounts	9,039	9,515	21,911	27,814
Offsetting amount	(5,319)	(7,218)	(5,319)	(7,218)
	3,720	**2,297**	**16,592**	**20,596**

The offseting is applied in particular to receivables and payables with related parties and with mobile and fixed network operators.

42 Financial instruments

Recurring fair value measurement

The level in fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

Group	31 December 2023			31 December 2022		
	Level 1 EUR thousand	Level 2 EUR thousand	Level 3 EUR thousand	Level 1 EUR thousand	Level 2 EUR thousand	Level 3 EUR thousand
Financial assets at fair value through other comprehensive income, non-current	144	-	766	419	-	766
Cash flow hedge derivative	-	-	(172)	-	-	-

Company	31 December 2023			31 December 2022		
	Level 1 EUR thousand	Level 2 EUR thousand	Level 3 EUR thousand	Level 1 EUR thousand	Level 2 EUR thousand	Level 3 EUR thousand
Financial assets at fair value through other comprehensive income, non-current	69	-	766	342	-	766
Cash flow hedge derivative	-	-	(172)	-	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

43 Net debt reconciliation

Group	Cash/bank overdraft	Liquid investments	Other fin. liabilities (spectrum and content) within 1 y	Other fin. liabilities (spectrum and content) after 1 y	Lease liabilities	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Net debt as at 31 December 2021	**381,074**	**5,043**	**(11,547)**	**(17,519)**	**(82,328)**	**274,723**
Cash flow	**(7,652)**	**8,457**	**43,233**	**-**	**42,127**	**86,165**
Reclassification of current portion	-	-	(46,085)	46,085	-	-
Additions - increase in related asset (intangible assets and ROA)	-	-	-	(44,587)	(33,870)	(78,457)
Termination/modification of lease contracts	-	-	-	-	3,698	3,698
Net debt as at 31 December 2022	**373,422**	**13,500**	**(14,399)**	**(16,021)**	**(70,373)**	**286,129**
Cash flow	**(140,344)**	**(3,500)**	**34,613**	**-**	**45,568**	**(63,663)**
Reclassification of current portion	-	-	(47,352)	47,352	-	-
Additions - increase in related asset (intangible assets and ROA)	-	-	-	(38,060)	(45,409)	(83,469)
Termination/modification of lease contracts	-	-	-	-	1,985	1,985
Other non-financial movements	-	-	(1,183)	(2,162)	1,261	(2,084)
Net debt as at 31 December 2023	**233,078**	**10,000**	**(28,321)**	**(8,891)**	**(66,968)**	**138,898**

Liquid investments consist of bank deposits and financial assets at fair value through other comprehensive income.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS **NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

Company	Cash/bank overdraft	Other fin. liabilities (spectrum and content) within 1 year	Other fin. liabilities (spectrum and content) after 1 year	Lease liabilities	Total
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Net debt as at 31 December 2021	**333,584**	**(13,538)**	**(13,405)**	**(71,843)**	**234,798**
Cash flow	**6,191**	**36,368**	**-**	**38,528**	**81,087**
Reclassification of current portion	-	(33,055)	33,055	-	-
Additions	-	-	(30,767)	(32,238)	(63,005)
Termination/modification of lease contracts	-	-	-	2,881	2,881
Merger of subsidiary (Note 3)	-	(2,654)	-	-	(2,654)
Other non financial movements	-	398	-	-	398
Net debt as at 31 December 2022	**339,775**	**(12,481)**	**(11,117)**	**(62,672)**	**253,505**
Cash flow	**(148,933)**	**26,659**	**-**	**40,556**	**(81,718)**
Reclassification of current portion	-	(35,003)	35,003	-	-
Additions	-	-	(30,798)	(39,763)	(70,561)
Termination/modification of lease contracts		-	-	1.898	1.898
Other non financial movements	-	5,319	-	1,261	6,580
Net debt as at 31 December 2023	**190,842**	**(15,506)**	**(6,912)**	**(58,720)**	**109,704**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

44 Authorization for Services and Applicable Fees

The Company is party to the following Authorization for Services, none of which are within the scope of IFRIC 12:

a) Service authorization for the performance of electronic communications services

Pursuant to Article 24 of the Law on Electronic Communications (Official Gazette No. 76/2022) the Company is entitled to provide the following electronic communication services based on the general authorisation which was last updated in May 2022 (in compliance with the Law on electronic Communications that was in force at that time, Official Gazette No. 90/11, 133/12, 80/13, 71/14, 72/17):

- Internet access service in the fixed electronic communications network,
- Internet access service in the mobile electronic communications network,
- Number based interpersonal communications service in the fixed electronic communications network (including nomadic services),
- Number based interpersonal communications service in the mobile electronic communications network,
- Data transmission service,
- Lease lines service,
- Terrestrial TV broadcasting,
- Transport of telephone traffic among operators service (transit),
- M2M services,
- Other - premium rate and free phone services,
- Other - voice over internet protocol service (VoIP),
- Other - granting access and shared use of electronic communications infrastructure and associated facilities, and
- Other.

On 16 March 2023 the Croatian Regulatory Authority for Network Industries (HAKOM) issued to the Company special authorization to perform account reconciliation of accounts for the provision of electronic communications services in maritime for a period of 10 years, which is valid till 22 February 2033.

In accordance with HAKOM's decision of 22 September 2022, the Company was designated as the Universal services provider in the Republic of Croatia for a period of two (2) years starting from 1 December 2022 with the obligation to provide following universal services during the mentioned period:

1. access to the public communications network and publicly available telephone services at a fixed location, enabling for the voice communications, facsimile communications and data communications, at data rates that are sufficient to permit functional internet access, taking into account prevailing technologies used by the majority of subscribers as well as the technological feasibility,
2. setting up of public pay telephones or other publicly available access points for the public voice service on public places accessible at any time, in accordance with the reasonable needs of end-users in terms of the geographical coverage, the quality of services, the number of public pay telephones or other publicly available access points for the public voice service and their accessibility for disabled persons,
3. special measures for persons with disabilities to access services from points 1 and 2 above, including access to emergency services, in the same way as other end-users,
4. special pricing systems adapted to the needs of socially vulnerable groups of end-users of services, which include the service referred to in the first point above

b) Authorization for usage of radio frequency spectrum

HAKOM issued to the Company the following licences for use of the radio frequency spectrum for public mobile electronic communications networks:

- licence for the use of radio frequency spectrum in 900 MHz and 1800 MHz frequency bands with the validity from 1 December 2011 until 18 October 2024,
- licence for the use of radio frequency spectrum in 2100 MHz frequency band with the validity from 1 January 2010 until 18 October 2024,
- licence for the use of radio frequency spectrum in 800 MHz frequency band with the validity from 29 October 2012 until 18 October 2024,
- licence for the use of radio frequency spectrum in 800 MHz frequency band with the validity from 6 November 2013 until 18 October 2024,
- licence for the use of radio frequency spectrum in 1800 MHz frequency band with the validity from 22 December 2014 until 18 October 2024,
- licence for the use of radio frequency spectrum in 2600 MHz frequency band with the validity from 1 May 2019 until 18 October 2024, and
- licences for the use of radio frequency spectrum in 700 MHz, 3600 MHz and 26 GHz frequency bands with the validity from 12 August 2021 until 11 August 2036.

Following the public auction procedure for issuing licenses for the use of radio frequency spectrum, on 8 March 2023, HAKOM passed a decision based on which the Company was issued new licenses for the use of radio frequency spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands, which are valid from 19 October 2024 until 19 October 2039:

HAKOM also issued to the Company licences for the use of radio frequency spectrum for satellite services (DTH services) with the validity from 12 August 2020 until 11 August 2025.

In March 2020 HAKOM approved the transfer of a licence for the use of radio frequency spectrum for the provision of the service of management of electronic communications networks for digital television multiplexes MUX C and MUX E from the companies HT Produkcija d.o.o., Odašiljači i veze d.o.o. and HP-Hrvatska pošta d.d. to the companies HT Produkcija d.o.o., Odašiljači i veze d.o.o. and Hrvatski Telekom d.d. By the decision of HAKOM from August 2020 the duration of the said licence was extended until 31 December 2030.

c) Fees for providing electronic communications services

Pursuant to the Law on Electronic Communications, the Company is obliged to pay the fees for the use of addresses and numbers, radio frequency spectrum and for the performance of other tasks of HAKOM pursuant to the ordinances of HAKOM and Ministry of the sea, transport and infrastructure. The said regulations prescribe the calculation and the amount of fees. These fees are paid for the current year or one year in advance (in case of fees for usage of radio frequency spectrum).

In 2023, the Company paid the following fees:

- the fees for the use of addresses, numbers and radio frequency spectrum pursuant to the ordinance passed by the Ministry of the sea, transport and infrastructure (in favour of State budget, Official Gazette No. 151/2022 and 37/2023),
- fees for the use of assigned radiofrequency spectrum pursuant to the decisions on the selection of the preferred bidders in the public auctions procedures of 6 November 2013 (2x5 MHz in 800 MHz frequency band), of 12 August 2021 (spectrum in 700 MHz, 3600 MHz and 26 GHz frequency bands), and of 8. March 2023 (spectrum in 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz)
- the fees for use of addresses, numbers, radio frequency spectrum and for the performance of other tasks of HAKOM, pursuant to the ordinance passed by HAKOM (in favour of HAKOM's budget, Official Gazette No. 154/2022 and 72/2023).

d) Audiovisual and electronic media services

Pursuant to the Law on Audiovisual Activities (Official Gazette No. 61/18), the Company is obliged to pay the fee in the amount of 2% of the total annual gross income generated from the performing of audiovisual activities on demand and 0.5% of the total annual gross income generated by media service providers who have permission for satellite, internet, cable transmission and other permitted forms of audiovisual program transmission for the purpose of the implementation of the National Programme.

Also, the Company (as the operator of public communication network) is obliged to pay a fee in the amount of 0.8% of the total annual gross income generated in previous calendar year by performing transmission and/or retransmission of audiovisual programmes and their parts through public communication network, including internet and cable distribution for the purpose of the implementation of the National Programme for the promotion of audiovisual creativity.

Pursuant to the Law on Electronic Media (Official Gazette No. 111/21), the Company is obliged to pay the fee of 0.5% of the annual gross revenues realized from the provisioning of audiovisual media services on demand and the electronic publication services.

e) Electronic communications infrastructure and associated facilities (ECI)

The Company, as the infrastructure operator, is obligated to pay fees to the owners and managers of the property on which the ECI of the Company is laid either under a right of way or under a right of servitude.

Pursuant to Electronic Communications Act, the right of way fee is paid to owners and managers of the property (Republic of Croatia, local and regional municipalities, other legal and natural persons) on which ECI of the Company is laid. The unit RoW fees are defined in the amount prescribed by the HAKOM's Ordinance on Right of Way Certificate and Payment of Fees for Right of Way (further: Ordinance on RoW) in the range of 0,4 – 1,33 EUR/m2/y depending on the property type.

In accordance with the Roads Act, the fee for servitude on a public road is paid to the managers of public roads. The unit fees are defined by the Government's Decision on the amount of fee for the establishment of servitude and construction rights on a public road in the amount of 0,63 EUR/m2/y for ECI laid on highways and 0,32 EUR/m2/y for ECI laid on all other public roads.

If the property rights are not resolved on the basis of the RoW, the Company pays the fee for the right of servitude to other owners and managers in the agreed amount.

The Company also pays a concession fee for cables laid on maritime property under the Maritime Property and Seaports Act, a fee for forest land to Hrvatske šume for the installation of antenna poles under the Forest Act, a fee for installing street cabinets in accordance with individual decisions of local municipalities, utility fees to local municipalities for business buildings pursuant to the Communal Economy Act, water fee to Hrvatske vode and local municipalities for constructed ECI pursuant to the Water Management Financing Act and administrative fees for obtaining approvals and permits for construction and legalization of ECI.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

45 Share-based and non share-based payment transactions

Long-term incentive plans (LTI) are cash-based plans and were introduced in 2020, 2021, 2022 and 2023 at Group level.

LTI 2019 ended on 31 December 2022 and the Supervisory Board has determined final target achievement and awarded amount which was paid to plan participants in July 2023.

The LTI (Long term incentive) plan initiated in 2023, covers the period from 1 January 2023 to 31 December 2026.

LTI plans are linked to the to the performance of four indicators of the Deutsche Telekom Group: ROCE (Return on Capital Employed), Adjusted EPS (Earnings per Share), Customer satisfaction and Employee satisfaction.

EU Game Changer Incentive Program is cash-based plan that was introduced in 2022 for members of the Management Board and wildcards i.e. executives below the MB. EU Game Changer covers the period from 1 January 2022 to 31 December 2025 with annual payment instalments. Actual payments are determined by the participant group, the number of years of consecutive overperformance and the average KPI target achievement for the respective plan year.

Movements on cash-based incentive plans are presented in Note 30.

Share Matching Plan (SMP) is equity-based plan, for the award of bonus shares to managers, is active in 2023. The term of the 2023 SMP covers the period from 1 July 2023 to 30 June 2027. Share Matching Plan is obligatory for the President of the Management Board and voluntary for Management Board members.

Share Matching Plan (SMP) is a long-term remuneration instrument which is mandatory to the Company`s President of the Management Board and voluntary for Management Board members. SMP 2019 covered the period from 1 July 2019 to 30 June 2023 and relates to the non-cash benefit arising from the inflow of the matching shares, with the corresponding personal investment in Deutsche Telekom AG shares having been made in 2019. The proportion of the number of additional shares thus granted depends on the individual's management level: CEO: 1:1, other Management Board members: 1:2.

Total number of Deutsche Telekom AG shares granted in 2023 as a part of the Share Matching Plan (SMP) 2019 is shown in the following table:

Share Matching Plan (SMP)	Full entitlement for the entire SMP 2018 duration			The part of the entitlement relating to HT*
	Matching DT AG shares (pieces)	Non-cash benefit per share	Non-cash benefit	Non-cash benefit
		(in EUR)	(in EUR)	(in EUR)
2019	3,893	19.198	74,738	74,738

All gains and expenses resulting from changes of the related provisions for all LTI, Game Changer and SMP plans recognized for employee services received during the year are shown in the following table:

	Group		Company	
	2023 EUR thousand	2022 EUR thousand	2023 EUR thousand	2022 EUR thousand
Expenses	2,825	2,173	2,731	1,971
	2,825	**2,173**	**2,731**	**1,971**

46 Auditor's fees

The auditors of the Group's financial statements have rendered services of EUR 592 thousand in 2023 (2022: EUR 696 thousand) and of the Company's financial statements have rendered services of EUR 380 thousand in 2023 (2022: EUR 496 thousand). Services rendered in 2023 and 2022 relate to audits and reviews of the financial statements, Reports on related party transactions and Remuneration report.

Total amounts for 2022 are also including services for audit of financial statements prepared for regulatory purposes, provided by auditors from the previous year. Auditor's fees for 2023 are not including amount for this service, because the service is still provided by auditors from the previous year.

47 Subsequent events

On 1 January 2024, Company merged its subsidiary Iskon Internet d.d. With the date of incorporation into the court register (2 January 2024), Iskon Internet d.d. ceased to operate as a separate business entity and is no longer active in the court register, while the entire assets and all rights and obligations were transferred to the Company. After the merger, the products and services provided by Iskon will continue to be provided within the portfolio of the Company under Iskon's brand.

The carrying value of transferred assets and liabilities of Iskon Internet d.d. as at the date of merger were:

	in EUR thousand
Non-current assets	14,114
Current assets	30,418
Liabilities	36,465
Total net assets	**8,067**
Goodwill	10,090
Investment in Iskon Internet d.d.	(46,349)
Total effect of merger on retained earnings of the Company	(28,192)

Since this merger is considered as business combination under common control, there is no material effect in the aspect of consolidated financial statements of the Group.

On 1 January 2024, the technological unit Ericsson Nikola Tesla Servisi d.o.o. (ENTS) for construction and maintenance of the Croatian Telecom network, which was initially outsourced to ENTS in September 2014, became part of the HT Group. The now former technological unit of ENTS has been transferred together with the employees to HT Servisi d.o.o. (daughter company fully owned by Croatian Telecom which was established on 15 November 2023), based on the Agreement on the transfer of a part of the economic activity concluded with ENTS. Value of the acquisition transaction is EUR 327 thousand. Carrying amount of net assets of HTS on the date of acquisition of business unit is EUR 27 thousand.

In December 2023 the Management Board withdrew 775,842 Company shares without nominal value, without the share capital of the Company being decreased. Thereby the total number of shares has decreased from 78,775,842 shares to 78,000,000 shares without nominal value, while the remaining shares' participation in the share capital is being increased. The change of total number of shares of the Company has been entered into the register of the Commercial Court in Zagreb on 2 January 2024.

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