Croatian Telecom Inc.

Financial statements

31 December 2022

Contents

Supervisory Board

The members of the Supervisory Board who served during 2022 and until the issuing of these statements are as follows:

Jonathan Richard Talbot	Chairman	From 25 April 2017
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
Vesna Mamić	Member, workers' representative	From 1 January 2016
Dolly Predovic	Member	From 29 April 2014
Marc Stehle	Member	From 16 December 2015
Eirini Nikolaidi	Member	From 25 April 2016 until 24 April 2020
		From 20 July 2020
Eva Somorjai-Tamassy	Member	Until 1 October 2022
Tino Puch	Member	Until 24 April 2022
Professor Gordan Gledec, Ph.D.	Member	From 20 July 2020
Jonathan Abrahamson	Member	From 25 April 2022

Management Board

The members of the Management Board who served during 2022 and until the issuing of these statements are as follows:

Konstantinos Nempis	President	From 1 April 2019
Daniel Darius Denis Daub	Member	Until 1 August 2022
Nataša Rapaić	Member	From 1 February 2013
Boris Drilo	Member	From 1 January 2017
Ivan Bartulović	Member	From 1 March 2019
Matija Kovačević	Member	From 1 August 2022
Marijana Bačić	Member	From 1 September 2022
Siniša Đuranović	Member	From 8 December 2022

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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 financial statements of Hrvatski Telekom d.d. (the Company), which comprise the statement of financial position as at 31 December 2022, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of 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 International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key audit matter	How we addressed key audit matter
Revenue recognition	
Refer to Note 2.3. *Significant accounting judgements, estimates and assumptions Revenue recognition*, Note 2.4. (o) *Revenue recognition* and Note 3 *Segment information* of the separate financial statements. We consider revenue recognition as a significant matter due to the complexity of the invoicing systems and the large volume of data processed. Additionally, various types of products and services as well as pricing of these products and services are the result of multi-element contracts. Due to the complexity of transactions, which are based on various inputs, there is a possibility that the revenues will not be recognized in accordance with IFRS as adopted by the EU. 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.	Our audit procedures related to revenue recognition included, among others, understanding of sales, billing, roaming, interconnection and revenue recognition processes. We understood and evaluated the design and implementation of segregation of duties, the adequacy of the policies and key controls, including relevant Information technology systems and controls around revenue recognition. On the sample basis we tested the operating effectiveness of key controls relevant to the revenue recognition. We performed testing, on a sample basis, of revenue accounts, including test of details by reviewing contracts with customers and performing testing of issued invoices around the balance sheet date. We performed analytical procedures by comparison of financial data with non-financial data (number of users, industry trends) and investigation of significant changes or lack of expected changes. We assessed the adequacy of categorization of revenues within portfolio approach. We also assessed adequacy of the disclosures in the separate financial statements and if these are in line with the requirements of IFRS as adopted by the EU.
Recognition and valuation of content rights	
Refer to Note 2.3. *Significant accounting judgements, estimates and assumptions Capitalized content rights*, Note 2.4. (e) *Intangible assets*, (g) *Impairment of non-financial assets* and Note 15 *Intangible assets* of the separate financial statements.	We obtained the understanding of content rights accounting process. We understood and evaluated the design and implementation of segregation of duties, the adequacy of the policies and key controls, including controls that are in place around content rights accounting.

The carrying amount of content rights of the Company as at 31 December 2022 was HRK 73 million. There is a risk that the Company has not applied right criteria for the capitalization of content rights cost and/ or the risk that the Company estimation of future consideration payable from content contracts is not reasonable. Since the estimation process is based on the assumptions like the estimated number of future customers and discount rate, implying subjectivity and complexity, this is an area considered to be a key audit matter.	We obtained a detailed analysis of capitalized content contracts in the current period and reconciled these amounts to the general ledger. We have tested a sample of costs capitalized in the period by inspection of related contracts and invoices to assess whether they have been appropriately capitalized. We assessed the reasonableness of assumptions (estimated number of future customers and discount rate) used for measurement of future consideration. We compared the future customers estimate to historical data and considered the consistency of the future growth rate assumptions with management's business plans. We tested the appropriateness of discount rates used in the calculation with the assistance of the valuation specialists. We also assessed adequacy of the disclosures in the separate financial statements and if these are in line with the requirements of IFRS as adopted by the EU.

Other information

Management is responsible for the other information. Other information comprises the Management Report and Corporate Governance Statement included in the Annual Report, but does not include financial statements and our auditor's report thereon.

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

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

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

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

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed financial statements;

2.the enclosed Management Report is prepared in accordance with requirements of Article 21 of the Accounting Act; and

3. the enclosed Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit of financial statements, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the financial statements

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

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

Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee 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 Audit Committee 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 Audit Committee, we determine those matters that were of most significance in the audit of the 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

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Company on 23 April 2021. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 25 April 2022, representing a total period of uninterrupted engagement appointment of 2 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 20 February 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Report on Regulatory requirements

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20,83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic file *097900BFHJ0000029454-2022-12-31-en*, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee

Management is responsible for the preparation of the financial statements in accordance with ESEF Regulation.

Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

Management is also responsible for:

- the public disclosure of financial statements included in the annual report, in XHTML format and
- selecting and using XBLR codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

Work performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - the XBRL markup language was used,
    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
    - the labeled elements comply with the common labeling rules under the ESEF Regulation.

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

Conclusion

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2022, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partner in charge of the audit resulting in this independent auditor's report is Ivana Krajinović.

Ivana Krajinović

Ivana Krajinović
Member of the Management Board and Certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb, Republic of Croatia
14 March 2023

Responsibility for the financial statements

Pursuant to the Croatian Accounting Act in force, the Management Board is responsible for ensuring that 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. (the "Company") for that period.

The Management Board has a reasonable expectation that the Company has 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 financial statements.

In preparing those 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 financial statements are prepared on the going concern basis.

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

The accompanying financial statements were approved for issuance by the Management Board on 14 March 2023.

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

14 March 2023

Mr. Matija Kovačević
Member of the Management Board and CFO

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

Mr. Siniša Đuranović
Member of the Management Board and CCO

On behalf of the Company,

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

Mr. Boris Drilo
Member of the Management Board and CTIO

Mr. Ivan Bartulović
Member of the Management Board and CHRO

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

Statement of comprehensive income
For the year ended 31 December 2022

	Notes	2022 HRK million	2021 HRK million
Revenue	*4*	6,141	5,888
Other operating income	*5*	86	98
Merchandise, material and energy expenses	*6*	(1,214)	(973)
Service expenses	*7*	(548)	(596)
Employee benefits expenses	*9*	(886)	(893)
Work performed by the Company and capitalized		28	33
Depreciation and amortization	*8*	(1,678)	(1,861)
Impairment of non-current assets	*8*	(110)	(71)
Net impairment losses on trade receivables and contract assets	*25*	(49)	(54)
Other expenses	*10*	(833)	(808)
Operating profit	*4*	**937**	**763**
Finance income	*11*	24	27
Finance costs	*12*	(77)	(74)
Income from dividends – subsidiaries		-	80
Finance income – net		(53)	33
Profit before income tax		**884**	**796**
Income tax expense	*13*	(189)	(130)
Profit for the year		**695**	**666**
Items that may be subsequently reclassified to comprehensive income			
Changes in the fair value of debt instruments at fair value		-	(1)
Other comprehensive income/ (loss) for the year, net of tax		**-**	**(1)**
Total comprehensive income for the year, net of tax		**695**	**665**

Statement of comprehensive income (continued)
For the year ended 31 December 2022

	Notes	2022 HRK million	2021 HRK million
Profit attributable to:			
Equity holders of the Company		695	666
		695	666
Total comprehensive income arisen from continuing operations attributable to:			
Equity holders of the Company		695	665
		695	665
Earnings per share			
Basic and diluted, from continuing operations attributable to equity holders of the Company during the year	*14*	HRK 8.77	HRK 8.30

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

Signed on behalf of the Company on 14 March 2023:

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

Mr. Matija Kovačević
Member of the Management Board and CFO

Statement of financial position
As at 31 December 2022

	Notes	31 December 2022 HRK million	31 December 2021 HRK million
ASSETS			
Non-current assets			
Intangible assets	*15*	1,246	1,052
Right-of-use assets	*18*	495	562
Property, plant and equipment	*16*	5,699	5,654
Investment property	*17*	11	12
Investments in subsidiaries	*19*	1,598	1,711
Investments accounted for using the cost method	*20*	-	334
Financial assets at fair value through other comprehensive income	*21*	8	8
Trade and other receivables	*24*	200	220
Contract assets	*25*	52	49
Capitalized contract costs	*25*	128	102
Prepayments	*26*	186	-
Deferred income tax asset	*13*	127	105
Total non-current assets		**9,750**	**9,809**
Current assets			
Inventories	*23*	175	140
Assets classified as held for sale	*22*	239	-
Trade and other receivables	*24*	1,162	1,119
Contract assets	*25*	213	222
Capitalized contract costs	*25*	49	44
Receivables from subsidiaries	*38*	191	257
Prepayments	*26*	102	78
Financial assets at fair value through other comprehensive income	*21*	-	201
Income tax prepayments		-	6
Loans receivable from subsidiaries	*38*	15	60
Cash and cash equivalents	*27*	2,560	2,513
Total current assets		**4,706**	**4,640**
TOTAL ASSETS		**14,456**	**14,449**

Statement of financial position (continued)
As at 31 December 2022

	Notes	31 December 2022 HRK million	31 December 2021 HRK million
EQUITY AND LIABILITIES			
Issued capital and reserves			
Issued share capital	*32*	10,245	10,245
Legal reserves	*33*	512	512
Reserve for treasury shares	*34*	3	61
Treasury shares	*34*	(3)	(61)
Other reserves		1	1
Retained earnings	*35*	1,697	1,845
Total issued capital and reserves		**12,455**	**12,603**
Non-current liabilities			
Provisions	*30*	120	105
Lease liabilities	*18*	346	397
Employee benefit obligations	*29*	15	12
Trade and other liabilities	*28*	87	105
Deferred income tax liability	*13*	3	3
Total non-current liabilities		**571**	**622**
Current liabilities			
Trade payables and other liabilities	*28*	1,001	889
Income tax payable		87	-
Contract liabilities	*25*	36	56
Employee benefit obligations	*29*	11	7
Accruals	*31*	89	81
Payables to subsidiaries	*38*	71	54
Lease liabilities	*18*	126	129
Deferred income		9	8
Total current liabilities		**1,430**	**1,224**
Total liabilities		**2,001**	**1,846**
TOTAL EQUITY AND LIABILITIES		**14,456**	**14,449**

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

Signed on behalf of the Company on 14 March 2023:

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

Mr. Matija Kovačević
Member of the Management Board and CFO

Statement of cash flows
For the year ended 31 December 2022

	Notes	2022 HRK million	2021 HRK million
Operating activities			
Profit before income tax		884	796
Depreciation and amortization	*8*	1,678	1,861
Impairment loss of PPE & Intangible assets	*8*	15	13
Impairment of investments accounted for using the cost method	*8*	95	-
Impairment of investment in subsidiary	*8*	-	58
Interest income	*11*	(6)	(7)
Interest expense	*12*	55	51
(Gain) on disposal of assets	*5,10*	(42)	(11)
Other net financial loss	*11,12*	4	3
Income from dividends - subsidiaries		-	(80)
(Increase) in inventories		(33)	(36)
Decrease/ (increase) in receivables and prepayments		(151)	75
(Increase) / decrease in contract assets/costs	*25*	(15)	(34)
Increase/ (decrease) in payables and accruals		40	(136)
Increase / (decrease) in contract liabilities		(20)	16
Increase / (decrease) in provisions		14	32
Increase in accruals	*31*	8	3
Increase in employee benefit obligations		5	8
Other non-cash items		-	8
Cash generated from operations		2,531	2,620
Interest paid		(34)	(62)
Income tax paid		(129)	(157)
Net cash flows from operating activities		**2,368**	**2,401**
Investing activities			
Payments for property, plant and equipment and intangible assets		(1,323)	(1,366)
Proceeds from sale of non-current assets		122	10
Proceeds from sale of financial assets at fair value through other comprehensive income		201	-
Other investment received		4	10
Dividend received - subsidiaries		-	9
Given loan to subsidiary		(150)	(30)
Loan repayment from subsidiary		195	-
Interest received		5	5
Net cash flows used in investing activities		**(946)**	**(1,362)**
Financing activities			
Dividends paid	*35*	(630)	(640)
Repayment of radio frequency spectrum and content	*42*	(274)	(198)
Repayment of lease liability	*18*	(291)	(288)
Acquisition of treasury shares	*34*	(180)	(100)
Net cash flows used in financing activities		**(1,375)**	**(1,226)**
Net increase/ (decrease) in cash and cash equivalents		47	(187)
Cash and cash equivalents as at 1 January		2,513	2,706
Exchange (losses) on cash and cash equivalents		-	(6)
Cash and cash equivalents as at 31 December	*27*	**2,560**	**2,513**

Statement of changes in equity
For the year ended 31 December 2022

	Issued share capital	Legal reserves	Other reserves	Reserve for treasury shares	Treasury shares	Retained earnings	Total
	HRK million (Note 32)	HRK million (Note 33)	HRK million	HRK million (Note 34)	HRK million (Note 34)	HRK million (Note 35)	HRK million
Balance as at 31 December 2020	**10,245**	**512**	**1**	**90**	**(90)**	**1,918**	**12,676**
Balance as at 1 January 2021	**10,245**	**512**	**1**	**90**	**(90)**	**1,918**	**12,676**
Profit for the year	-	-	-	-	-	666	666
Other comprehensive income for the year	-	-	(1)	-	-	-	(1)
Total comprehensive income for the year	**-**	**-**	**(1)**	**-**	**-**	**666**	**665**
Reserve for treasury shares	-	-	-	100	-	(100)	-
Acquisition of treasury shares	-	-	-	-	(100)	-	(100)
Shares cancelled	-	-	-	(126)	126	-	-
Share based payments	-	-	-	(3)	3	3	3
Effect of merger of subsidiary	-	-	-	-	-	(2)	(2)
Other changes	-	-	1	-	-	1	1
Dividends paid to equity holders of the Company	-	-	-	-	-	(640)	(640)
Balance as at 31 December 2021	**10,245**	**512**	**1**	**61**	**(61)**	**1,845**	**12,603**
Balance as at 1 January 2022	**10,245**	**512**	**1**	**61**	**(61)**	**1,845**	**12,603**
Profit for the year	-	-	-	-	-	695	695
Other comprehensive income for the year	-	-	-	-	-	-	
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**695**	**695**
Reserve for treasury shares	-	-	-	180	-	(180)	-
Acquisition of treasury shares	-	-	-	-	(180)	-	(180)
Shares cancelled	-	-	-	(235)	235	-	-
Share based payments	-	-	-	(3)	3	3	3
Effect of merger of subsidiary (Note 3)	-	-	-	-	-	(36)	(36)
Other changes	-	-	-	-	-	-	-
Dividends paid to equity holders of the Company	-	-	-	-	-	(630)	(630)
Balance as at 31 December 2022	**10,245**	**512**	**1**	**3**	**(3)**	**1,697**	**12,455**

In 2021 and 2022, the Company has changed the presentation method of Share Award Plan as a part of treasury shares in the statement of financial position and the statement of changes in equity. In 2021, Share Award Plan was shown separately, as a share based program in the statement of changes in equity, and as a share based program in the statement of financial position. This was done in order to make the presentation of equity movements more transparent. The aforementioned adjustment had no impact on the total amount of equity.

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

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% 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. Thus, Deutsche Telekom AG is the ultimate controlling parent.

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

The total number of employees of the Company as at 31 December 2022 was 3,881 (31 December 2021: 4,036).

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

The financial statements for the financial year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Management Board on 14 March 2023. These financial statements are subject to approval of the Supervisory Board as required by the Croatian Company Act. Annual consolidated financial statements of HT Group are disclosed on the Company's web page in Investor Relations.

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The financial statements also comply with the Croatian Accounting Act on financial statements, which refers to IFRS as endorsed by the EU.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (Note 21), as disclosed in the accounting policies hereafter.

The Company's financial statements are presented in Croatian Kuna ("HRK") which is the Company's functional currency. All amounts disclosed in the financial statements are presented in millions of HRK if not otherwise stated.

The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group"), which were approved by the Management Board on 14 March 2023. In the consolidated financial statements, subsidiary undertakings (Note 19) have been fully consolidated. Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2022 in order to obtain full information on the financial position, results of operations and changes in the financial position of the Group as a whole.

2.1. Changes in accounting policies and disclosures

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later. The new standards did not have any material impact on the Company:

- *IFRS 3 Business Combinations (Amendments)* update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations

- *IAS 16 Property, Plant and Equipment (Amendments)* prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss

- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)* specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

- *Annual Improvements 2018-2020* make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

- *IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment);* The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

New standards and interpretations not yet adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later. The new standards do not have any material impact on the Company:

- *IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments);* The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

2.2. Changes in accounting policies and disclosures (continued)

New standards and interpretations not yet adopted (continued)

- *IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments);* The amendments become effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors
- *IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments);* The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal
- *IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments);* The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU
- *IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)*; The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease.

2.2. Changes in accounting policies and disclosures (continued)

New standards and interpretations not yet adopted (continued)

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU.

- *Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*; The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

2.3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires 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 of 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 Company is exposed to a number of 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 Company uses 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 30 and 37. Changes in these judgments could have a significant impact on the financial statements of 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 a large number of 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.

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

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, 16, 17 and 19.

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 Company. Further, due to the significant weight of depreciable assets in 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 Company.

The following table demonstrates the sensitivity to a reasonably possible change in useful life on amortization and depreciation, with all other variables held constant, on the Company's profit post tax:

	Increase / decrease in %	Effect on profit post tax HRK million
Year ended 31 December 2022	+10	100
	-10	(120)
Year ended 31 December 2021	+10	118
	-10	(144)

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

Impairment of investments in subsidiaries

The Company tests annually whether investments in subsidiaries have suffered any impairment. The recoverable amounts of investment have been determined based on value in use calculation. These calculations require the use of estimates. In estimates that are used for calculations is included the impact of COVID-19 for changes of revenue and costs or ratios. In case of investment in HT Holding d.o.o. a reasonably possible change in certain key assumptions when viewed separately (such as decrease of revenue growth by 2% or increase of costs by 2%) with all other variables held constant, will not result in an impairment charge.

In June 2022, HT Production was merged to HT. In 2021, in case of investment in HT Production, a reasonably possible change in certain key assumptions when viewed separately (such as decrease of revenue growth by 2%, increase of costs by 2% or change in capex and revenue ratio) with all other variables held constant, could result in an impairment charge of up to HRK 25 million.

Content contract liability

As explained in intangible asset accounting policy (Note 2.4) content costs are capitalised with related liability recognized. 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.

Expected credit loss (ECL) measurement

With application of IFRS 9, Model of Expected Loss (ECL) is introduced. 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 future parameters relevant to the credit risk.

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

Expected credit loss (ECL) measurement (continued)

Macroeconomic data are linked to historical customer behavior, 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, which results in earlier recognition of impairment charges.

Besides above stated assets to which a simplified approach applies, subsequent measurement of all other financial assets 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 an 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 twice 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 Company’s customer payment behaviour in order to see possible change of credit risk percentages applied.

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

Expected credit loss (ECL) measurement (continued)

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, all telco receivables are claimed at Court within the statute of limitations.

Analysis of claimed and impaired receivables showed significant collection in first year from due date and subsequent two years through claims. Historically these trends were stable and there are no known facts nor expected indication that the trend will change in future periods.

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, 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.

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

Revenue recognition

Following IFRS15 judgments are applied in portfolio approach in order to reflect contracts behavior 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% (2021:3%-10%) and penalty fee collection in range of 52%-81% (2021: 52%-76%), depending on portfolio / customer group
- value adjustment of contract asset due to non-payment (relation with IFRS 9) in range of 0.1%-3% (2021: 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 customer segment and unlinear 3 months usage after contract inception is approximation for VSE customer segment
- 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 a Company has 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, Company is applying income approach 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, dividend income from associate, subsidiaries 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) 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.

c) Investment in associate

In the Company's financial statements, investment in an associated company (generally a shareholding of between 20% and 50% of voting rights) where significant influence is exercised by the Company is measured at cost less any impairment in value. An assessment of investment in associate is performed when there is an indication that the asset has been impaired or that the impairment losses recognized in previous years no longer exist.

d) Investment in joint venture

The Company has 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. This investment is measured at cost less any impairment in value. An assessment of investment in joint venture is performed when there is an indication that the asset has been impaired or that the impairment losses recognized in previous years no longer exist.

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 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.

2.4. Significant accounting policies (continued)

e) Intangible assets (continued)

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 recognizes costs of content as an intangible asset at the inception of the related contract. The Company 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.

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
HAKOM licence	Indefinite
Software, content and other assets	2-8 years or as per contract duration

In 2021, with the introduction of the new business (ERP) system, the structure of intangible assets within the DT Group was harmonized in the area of fixed assets register classification, which resulted in a change of estimated useful life of certain categories of intangible assets. The Group has changed the estimate of useful lives in order to reflect the technical characteristics and technological functionalities of the future benefits from existing and newly acquired intangible assets. The effect of the change in accounting estimate is not significant for financial statements.

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

2.4. Significant accounting policies (continued)

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 relating to production 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.

Useful lives of newly acquired assets are as follows:

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.

With the introduction of the new business (ERP) system in 2021, the structure of tangible assets within the DT Group was harmonized in the area of fixed assets register classification, which resulted in a change of estimated useful life of certain categories of tangible assets. The Group has changed the estimate of useful lives in order to reflect the technical characteristics and technological functionalities of the future benefits from existing and newly acquired tangible assets. The effect of the change in accounting estimate is not significant for financial statements.

Assets under construction represent plant and properties under construction and are 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 recognized within ‘Other expenses’ in the statement of comprehensive income.

2.4. Significant accounting policies (continued)

g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization 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 recognized 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 flows (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 on the basis of weighted average cost.

i) 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. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified in which case it is classified within current assets.

Investment property is carried at historical cost less accumulated depreciation and provision for impairment. Depreciation of buildings is calculated using the straight-line method to allocate their cost over their estimated useful lives of 10 to 50 years (2021: 10 to 50 years). Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are 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.

2.4. Significant accounting policies (continued)

j) Assets Classified as Held for Sale

Held for sale assets are non-current assets for which a Company has 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.

k) 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	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	Hold to collect and sell Fair value through Other Comprehensive Income without recycling to Profit and Loss (FVOCI)

2.4. Significant accounting policies (continued)

k) Financial assets (continued)

The business model reflects how the Company manages the debt financial assets in order to generate cash flows – whether the Company'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 of them, and whether they have the characteristics of an ordinary loan, i.e. whether their cash flows consist solely of interest and principal. If they have these characteristics, and if they are not sold according to the business model but are held to maturity, they must be measured at amortized cost. If the business model aims to sell and partially hold such instruments, they are to be measured at fair value through other comprehensive income with subsequent reclassification to the income statement. In all other cases, financial assets are to be measured at fair value through profit or loss.

Receivables which are sold to Collecting Agency as way of collection are initially considered to be in the 'held to collect' business model and are therefore measured at amortized cost since the Company initially has the credit risk and the SPPI test is satisfied.

Equity instruments

Held equity instruments include strategic investments. The Company 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.

2.4. Significant accounting policies (continued)

l) Foreign currencies

Transactions denominated in foreign currencies are translated into local currency 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.

m) 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 realised 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 expects, 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 it is probable that the temporary difference will not reverse in the foreseeable future.

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.

2.4. Significant accounting policies (continued)

n) Employee benefit obligations

The Company provides other long-term employee benefits (Note 29). These benefits include pension payments. 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.

The Company provides death in service short term benefits which are recognized as an expense of the period in which it is incurred.

o) Revenue recognition

Revenue is income arising in the course of the 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 the Company expects 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), Company allocates 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 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.

2.4. Significant accounting policies (continued)

o) Revenue recognition (continued)

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. If service realization extends 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 in mass market services (e.g. voice and data services provided on a monthly basis to customers) as well as in system solutions (e.g. installation of equipment, 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 maid 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.

In determining the transaction price, the Company adjusts 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 Company with a significant benefit of financing the transfer of goods or services to the customer.

The Company makes 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 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 Company did not identify significant financing component in contracts with customers.

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 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.

2.4. Significant accounting policies (continued)

o) Revenue recognition (continued)

IFRS 15 Standard, in particular, has impact, on following business events:

Multiple element arrangements - in case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidized 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. 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 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 cost of vouchers / benefits for third party products granted to customers 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 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.

IFRS 15 adjustments had major impact on revenues from mobile services. On fixed revenues impacts mainly relate to multiple element arrangements and even service revenue recognition over contract duration period. System solution area was not significantly impacted due to continuity in timing of revenue recognition.

2.4. Significant accounting policies (continued)

p) 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 amortized 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.

q) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost using the effective interest method.

r) Provisions

A provision is recognized when, and only when, the Company has 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 is demonstrably committed to a termination of employment contracts, that is when the Company has 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 recognized 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 recognized as prepayment.

A number of sites and other assets are utilized 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.

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.

2.4. Significant accounting policies (continued)

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 43. 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 recognized 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 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 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 shareholders are recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

x) Earnings per share

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

y) Contributed equity

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

z) Right-of-use assets

Leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by 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;

2.4. Significant accounting policies (continued)

z) Right-of-use assets (continued)

- 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 Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives.

The amortization periods for the right-of-use assets are as follows:

Buildings	1 - 69 years
Equipment	2 - 6 years
Land	0.5 - 25 years
Lease lines	1 - 26 years
Vehicles	0.5 - 7 years

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

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 Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects 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 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.

2.4. Significant accounting policies (continued)

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 Business combinations

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 transferred assets and liabilities of HT Production as at the date of merger were:

	in HRK million
Assets	210
Liabilities	122
Total net assets	**88**
Investment in HT Production	(113)
	(25)
Effect of catch-up tax	(11)
Total effect of merger on retained earnings	(36)

4 Segment information

The business reporting format of the Company for the purposes of segment reporting is determined to be Residential, Business and Network and Support Function segments as the Company'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 are rendered to, 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, TV distribution services to residential customers.

The Business Segment includes marketing, sales and customer services, focused on providing mobile and fixed line telecommunications, 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 Network and Support Functions segment performs cross-segment management and support functions, and includes the Technology, Procurement, Accounting, Treasury, Legal and other central functions. The Network and Support Functions is included in segment information as a voluntary disclosure since it does meet the criteria for an operating segment.

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 contribution margin II or segment result (as calculated in the table below).

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

Management of the Company does not monitor assets and liabilities by segments and therefore this information has not been disclosed.

4 Segment information (continued)

The following tables present revenue and direct cost information regarding the Company's segments:

Year ended 31 December 2022	Residential	Business	Network and Support functions	Total
	HRK million	HRK million	HRK million	HRK million
Net revenue	3,764	2,355	22	6,141
Mobile revenue	*2,351*	*1,150*	-	*3,501*
Fixed revenue	*1,413*	*1,062*	*22*	*2,497*
System solutions revenue	-	*143*	-	*143*
Usage related direct costs	(207)	(132)	-	(339)
Income and losses on accounts receivable	(30)	(6)	-	(36)
Contribution margin I	3,527	2,217	22	5,766
Non-usage related direct costs	(631)	(361)	-	(992)
Segment result (contribution margin II)	2,896	1,856	22	4,774
Other operating income	-	-	86	86
Other operating expenses	(465)	(243)	(1,427)	(2,135)
Depreciation and amortization of non-current assets	-	-	(1,678)	(1,678)
Impairment of non-current assets	-	-	(110)	(110)
Operating profit	**2,431**	**1,613**	**(3,107)**	**937**

Year ended 31 December 2021				
Net revenue	3,559	2,329	-	5,888
Mobile revenue	*2,195*	*1,105*	-	*3,300*
Fixed revenue	*1,364*	*1,030*	-	*2,394*
System solutions revenue	-	*194*	-	*194*
Usage related direct costs	(211)	(134)	-	(345)
Income and losses on accounts receivable	(26)	(22)	-	(48)
Contribution margin I	3,322	2,173	-	5,495
Non-usage related direct costs	(662)	(430)	-	(1,092)
Segment result (contribution margin II)	2,660	1,743	-	4,403
Other operating income	-	-	98	98
Other operating expenses	(466)	(235)	(1,105)	(1,806)
Depreciation and amortization of non-current assets	-	-	(1,861)	(1,861)
Impairment of non-current assets	-	-	(71)	(71)
Operating profit	**2,194**	**1,508**	**(2,939)**	**763**

4 Segment information (continued)

Reconciliation of profit

	2022 HRK million	2021 HRK million
Segment profit	**937**	**763**
Finance income	24	27
Finance cost	(77)	(74)
Income from dividends – subsidiaries	-	80
Profit before income tax	**884**	**796**

Revenue by geographical area

	2022 HRK million	2021 HRK million
Republic of Croatia	5,629	5,479
Rest of the world	512	409
	6,141	**5,888**

All the Company's assets are located in Croatia.

None of the Company’s external customers represent a significant source of revenue.

Revenue by category

	2022 HRK million	2021 HRK million
Revenue from rendering of services	5,137	4,986
Revenue from sale of goods and merchandise	1,004	902
	6,141	**5,888**

	2022 HRK million	2021 HRK million
Revenue realized over time	4,901	4,758
Revenue realized at point in time	1,240	1,130
	6,141	**5,888**

5 Other operating income

	2022 HRK million	2021 HRK million
Gain from sale of property, plant and equipment	44	13
Income from penalties and damage compensations	19	21
Liabilities write off	7	1
Sale of waste	1	1
Rental income	-	41
Other	15	21
	86	**98**

6 Merchandise, material and energy expenses

	2022 HRK million	2021 HRK million
Purchase cost of goods sold	933	837
Energy costs	257	110
Cost of raw material and supplies	13	12
Cost of services sold	11	14
	1,214	**973**

7 Service expenses

	2022 HRK million	2021 HRK million
Domestic interconnection	174	177
International interconnection	165	169
Copyright fees	74	84
Online services	30	54
Cleaning services	14	12
Bank and money transfer services	12	12
Security services	11	10
Other services	68	78
	548	**596**

8 Depreciation, amortization and impairment of non-current assets

	2022 HRK million	2021 HRK million
Depreciation	807	890
Amortization	583	674
Amortization of Right-of-use assets	288	297
Total depreciation and amortization	**1,678**	**1,861**
Impairment loss of PPE & Intangible assets	15	13
Impairment loss of investment in subsidiary	-	58
Impairment loss of investment accounted for using the cost method	95	-
Total impairment of non-current assets	**110**	**71**

Notes 15, 16, 17, 18, 19 and 20 disclose further details on amortization and depreciation expense and impairment loss.

9 Employee benefits expenses

	2022 HRK million	2021 HRK million
Net salaries	499	497
Contributions and taxes from salaries	204	203
Contributions on salaries	98	98
Redundancy expenses	54	68
Amortization of capitalized cost to obtain contract – own employees	5	5
Long term employee benefits	1	1
Other employee related expenses	25	21
	886	**893**

10 Other expenses

	2022 HRK million	2021 HRK million
Maintenance services	202	218
Licence cost	120	118
Advertising	85	76
Contract workers	73	81
Selling commissions	53	54
Provisions for legal cases	51	51
Amortization of capitalized cost to obtain contract - external parties	45	48
Non-income taxes and contribution	30	30
Postal expenses	29	29
Education and consulting	19	11
Expenses from penalties and damage compensations	18	9
Insurance	14	11
Rental	14	8
Daily allowances and other costs of business trips	13	7
Expenses related to customers acquisition	7	11
Write down of inventories	2	3
Loss on disposal of property, plant and equipment and intangible assets	2	2
Other operating charges	56	41
	833	**808**

11 Finance income

	2022 HRK million	2021 HRK million
Interest income	6	7
Foreign exchange gains	18	20
	24	**27**

12 Finance costs

	2022 HRK million	2021 HRK million
Interest expense from other financial liabilities	30	23
Interest expense from leases	25	28
Foreign exchange loss	20	22
Other finance costs	2	1
	77	**74**

13 Income tax expense

a) Tax on profit

	2022 HRK million	2021 HRK million
Current tax expense	201	129
Deferred tax expense	(22)	1
Additional tax related to merger of subsidiary	10	-
	189	**130**

b) Reconciliation of the taxation charge to the income tax rate

	2022 HRK million	2021 HRK million
Profit before taxes	884	796
Income tax at 18% domestic rate	159	143
Tax effect of:		
Tax adjustment related to previous years	10	-
Expenses not deductible for tax purposes	9	2
Dividend income not subject to tax	-	(15)
Other	11	-
	189	**130**
Effective tax rate	21.38%	16.33%

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 Company. The Company believes a future tax liability will not arise in this regard.

13 Income tax expense (continued)

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

Deferred tax assets recognized in:	31 December 2022	(charged) / credited in 2022	Acquisition 2022	Write off 2022	31 December 2021	(charged) / credited in 2021	31 December 2020
	HRK million	HRK million	HRK million	HRK million	HRK million	HRK million	HRK million
Statement of comprehensive income							
Losses	-	(8)	8	-	-	-	-
Non-tax-deductible provisions	39	18	-	(11)	32	(1)	33
Property, plant and equipment write down	35	(7)	-	-	42	(2)	44
Accrued interest on legal cases	5	4	-	-	1	-	1
Other	48	18	-	-	30	2	28
	127	25	8	(11)	105	(1)	106
Other comprehensive income							
Actuarial gains and losses	-	-	-	-	-	-	-
Deferred income tax asset	**127**	**25**	**8**	**(11)**	**105**	**(1)**	**106**

Deferred tax liabilities recognized in:	31 December 2022	charged / (credited) in 2022	Acquisition 2022	Write off 2022	31 December 2021	charged / (credited) in 2021	31 December 2020
	HRK million	HRK million	HRK million	HRK million	HRK million	HRK million	HRK million
Other comprehensive income							
Actuarial gains and losses	3	-	-	-	3	-	3
Deferred income tax liability	**3**	**-**	**-**	**-**	**3**	**-**	**3**

13 Income tax expense (continued)

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.

Deferred tax assets arise on the impairment of property, plant and equipment, on provision for impairment of receivables and inventories (materials, merchandise), and accruals and provisions and other temporary differences. Out of the total deferred tax asset, current portion amounts to HRK 80 million.

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. 2024 for the 2022 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.

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 Company 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:

	2022	2021
Profit for the year attributable to ordinary equity holders of the Company in HRK million	695	666
Weighted average number of ordinary shares for basic earnings per share	79,191,974	80,238,967
	HRK 8.77	**HRK 8.30**

15 Intangible assets

	Licences	Software	Goodwill	Other assets	Assets under construction	Total
	HRK million	HRK million	HRK million	HRK million	HRK million	HRK million
As at 1 January 2021						
Cost	481	3,356	-	361	11	4,209
Accumulated amortization and impairment losses	(341)	(2,606)	-	(190)	-	(3,137)
Net book value	**140**	**750**	**-**	**171**	**11**	**1,072**
Year ended 31 December 2021						
Opening net book value	**140**	**750**	**-**	**171**	**11**	**1,072**
Additions	248	27	-	154	210	639
Transfers	112	9	-	(136)	15	-
Other	-	-	-	15	-	15
Impairment loss	-	-	-	-	-	-
Amortization charge	(142)	(405)	-	(127)	-	(674)
Net book value	**358**	**381**	**-**	**77**	**236**	**1,052**
As at 31 December 2021						
Cost	717	3,296	-	557	236	4,806
Accumulated amortization and impairment losses	(359)	(2,915)	-	(480)	-	(3,754)
Net book value	**358**	**381**	**-**	**77**	**236**	**1,052**
Year ended 31 December 2022						
Opening net book value	358	381	-	77	236	1,052
Additions	8	87	-	194	340	629
Merger of subsidiary (Note 3)	40	3	50	40	-	133
Transfers	5	296	-	-	(301)	-
Other	15	-	-	-	-	15
Impairment loss	-	-	-	-	-	-
Amortization charge	(77)	(287)	-	(219)	-	(583)
Net book value	**349**	**480**	**50**	**92**	**275**	**1,246**
As at 31 December 2022						
Cost	785	3,682	50	791	275	5,583
Accumulated amortization and impairment losses	(436)	(3,202)	-	(699)	-	(4,337)
Net book value	**349**	**480**	**50**	**92**	**275**	**1,246**

15 Intangible assets (continued)

The intangible assets of the Company as at 31 December 2022 include six licences for use of the radio frequency spectrum and licence for 5G spectrum (Notes 2.4. e) and 42 b)).

Other assets consist of capitalized content contracts in amount of HRK 73 million (31 December 2021: HRK 77 million). Assets under construction primarily relate to software and the various licences for the use of software.

Additions of intangible assets

Major additions in 2022 relate to capitalized content contracts in the amount of HRK 194 million and software and the various licences for the use of software in the amount of HRK 418 million.

16 Property, plant and equipment

	Land and buildings	Telecom plant and machinery	Tools, vehicles, IT and office equipment	Assets under construction	Total
	HRK million	HRK million	HRK million	HRK million	HRK million
As at 1 January 2021					
Cost	2,352	12,743	826	161	16,082
Accumulated depreciation and impairment losses	(1,599)	(8,321)	(654)	-	(10,574)
Net book value	**753**	**4,422**	**172**	**161**	**5,508**
Year ended 31 December 2021					
Opening net book value	753	4,422	172	161	5,508
Additions	1	120	27	913	1,061
Transfers	10	19	43	(72)	-
Disposals	(13)	-	-	-	(13)
Depreciation charge	(90)	(725)	(74)	-	(889)
Impairment loss	-	(13)	-	-	(13)
Net book value	**661**	**3,823**	**168**	**1,002**	**5,654**
As at 31 December 2021					
Cost	2,358	12,586	869	1,002	16,815
Accumulated depreciation and impairment losses	(1,697)	(8,763)	(701)	-	(11,161)
Net book value	**661**	**3,823**	**168**	**1,002**	**5,654**
Year ended 31 December 2022					
Opening net book value	661	3,823	168	1,002	5,654
Additions	9	333	81	513	936
Merger of subsidiary (Note 3)	-	10	1	-	11
Transfers	25	509	22	(556)	-
Disposals	(79)	-	(2)	-	(81)
Depreciation charge	(70)	(677)	(59)	-	(806)
Impairment loss	-	-	(15)	-	(15)
Net book value	**546**	**3,998**	**196**	**959**	**5,699**
As at 31 December 2022					
Cost	2,392	13,438	973	959	17,762
Accumulated depreciation and impairment losses	(1,846)	(9,440)	(777)	-	(12,063)
Net book value	**546**	**3,998**	**196**	**959**	**5,699**

16 Property, plant and equipment (continued)

Beginning in 2001, the Company 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 Company is still in the process of formally registering this legal title. The Company 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 HRK 200 million (2021: HRK 198 million), and construction of core, transmission and IP network of HRK 581 million (2021: HRK 622 million).

Impairment loss

In 2022, the Company recognized an impairment loss on property, plant and equipment of HRK 15 million (2021: HRK 13 million) mostly relating to change of equipment due to transfer to the 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 Company 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 old devices, old tools, IT, office equipment and vehicles in the gross amount of HRK 342 million (2021: HRK 231 million). The gain from the sale is HRK 44 million (2021: HRK 13 million), the loss on the disposal is HRK 2 million (2021: HRK 2 million).

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 the Company 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 Company's ducts as at 31 December 2022 is HRK 647 million (31 December 2021: HRK 618 million).

17 Investment property

	HRK million
As at 1 January 2021	
Cost	45
Accumulated depreciation	(29)
Net book value	**16**
Year ended 31 December 2021	
Opening net book value	16
Disposal	(3)
Depreciation charge	(1)
Net book value	**12**
As at 31 December 2021	
Cost	40
Accumulated depreciation	(28)
Net book value	**12**
Year ended 31 December 2022	
Opening net book value	12
Transfers to property plant and equipment	1
Disposal	(1)
Depreciation charge	(1)
Net book value	**11**
As at 31 December 2022	
Cost	37
Accumulated depreciation	(26)
Net book value	**11**

The Company has classified unoccupied buildings and undeveloped land as investment property.

18 Right-of-use assets and lease liabilities

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. Rental contracts are typically made for fixed periods of 3 months to 69 years.

Until 31 December 2018 leases of property, plant and equipment were classified as either finance leases or operating lease. From 1 January 2019, leases and ECI (electronic communications infrastructure and associated facilities) are recognized as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Company. In 2022 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).

In million HRK	**Note**	**Land**	**Buildings**	**Equipment**	**Other**	**Total**
Carrying amount at 1 January 2021		**188**	**257**	**36**	**38**	**519**
Additions		243	19	5	29	296
Termination of sublease contracts		-	53	-	-	53
Terminations/modifications		(1)	(1)	(6)	(1)	(9)
Transfers		(1)	1	-	-	-
Depreciation charge	*8*	(219)	(45)	(7)	(26)	(297)
Carrying amount at 31 December 2021		**210**	**284**	**28**	**40**	**562**
Additions		200	19	4	20	244
Terminations/modifications		(16)	(5)	(1)	-	(22)
Depreciation charge	*8*	(219)	(37)	(7)	(25)	(288)
Carrying amount at 31 December 2022		**175**	**261**	**24**	**35**	**495**

The Company recognized lease liabilities as follows:

In million HRK	**31 December 2022**	**31 December 2021**
Short-term lease liabilities	126	129
Long-term lease liabilities	346	397
Total lease liabilities	**472**	**526**

The movement of lease liabilities is disclosed in Note 41.

Interest expense included in finance costs of 2022 was HRK 25 million (2021: HRK 28 million).

Total lease repayment in 2022 was HRK 291 million plus interest expense HRK 25 million (2021: HRK 288 million plus interest expense HRK 28 million).

19 Investments in subsidiaries

The net book value of investments in subsidiaries comprises:

	HRK million
As at 1 January 2021	
HT holding d.o.o.	1,719
HT Production	113
Impairment of investment in HT holding d.o.o.	(121)
Year ended 31 December 2021	**1,711**
As at 1 January 2022	
HT holding d.o.o.	1,598
HT Production	113
Merger of HT Production	(113)
Year ended 31 December 2022	**1,598**

During 2018, HT d.d. transferred its investments in Iskon Internet d.d., Combis d.o.o., E-Tours d.o.o., KDS d.o.o. and Optima Telekom d.d. in HT holding d.o.o. These investments were transferred from HT d.d. to HT holding d.o.o. at its net book value. At the end of 2019, HT holding sold E-Tours.

In July 2021, the Company and Zagrebačka banka d.d. signed an agreement with the company Telemach Hrvatska d.o.o. on the sale and purchase of the shares of the Optima Telekom d.d. In 2022 closing of the sale of the shares of the Optima Telekom d.d. is closed. In December 2021, KDS is merged to HT. As at 1 June 2022 HT Production is merged to HT d.d.

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

Company	*Country of Business*	*Principal Activities*	*Ownership interest*
Iskon Internet d.d.	Republic of Croatia	Provision of internet and data services	100%
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	76.53%

19 Investments in subsidiaries (continued)

Acquisition of OT-Optima Telekom d.d.

In 2014, the Company acquired voting shares in Optima Telekom d.d. (Optima) through pre-bankruptcy settlement. Shares with value of HRK 52 million were acquired directly through court decision of converting receivables into equity share as of 18 June 2014. An additional ownership share was acquired through the Mandatory Convertible Loan (MCL) instrument in the amount of HRK 69 million as of 9 July 2014 and increase in Optima equity pursuant to Management Board decision as of 23 July 2014 and approval of the Supervisory board. These two transactions are treated as a single transaction in these financial statements.

The Company's total ownership share in Optima amounts to 17.41% as of 31 December 2018. Control over Optima was obtained through transfer of managerial rights in accordance with the agreement with Zagrebačka banka d.d., the single largest shareholder of Optima. The Croatian Competition Agency has conditionally allowed the concentration of HT with Optima Telekom based on the proposed financial and operational restructuring plan of Optima within the pre-bankruptcy settlement procedure. The Croatian Competition Agency has determined a set of measures defining the rules of conduct for a participant in concentration with regard to management and control over Optima, among which is the implementation of a so called "Chinese wall" between Optima's and HT employees, in relation to all sensitive business information with the exception of reporting of financial data necessary for consolidation.

The control of HT over Optima initially was limited to a period of four years starting from 18 June 2014.

On 14 June 2017 HT received the Decision of the Croatian Competition Agency by which the duration of temporary management rights of the company OT-Optima Telekom d.d. for HT is prolonged for an additional three-year period, that is, until 10 July 2021.

On the same date, the Croatian Competition Agency has also reached the decision on conditional approval of the merger pursuant to the Merger Agreement of the company H1 TELEKOM d.d. and OT-Optima Telekom d.d.

The Company tests annually whether investments in subsidiaries have suffered any impairment. The recoverable amounts of investment have been determined based on value in use calculations. In 2019 annual impairment test resulted in impairment of investment in Optima Telekom in HT Holding thus impairment of HT Holding investment in the Company in the total amount of HRK 63 million.

The Company 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 investments in Optima Telekom in the amount of HRK 58 million. Recoverable amount of investment in HT holding d.o.o. is HRK 1,711 million based on fair value less cost method.

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

19 Investments in subsidiaries (continued)

Acquisition of Crnogorski Telekom AD Podgorica

In January 2017, the Company signed a Sale and Purchase agreement to acquire majority shareholding in Crnogorski Telekom AD Podgorica from Magyar Telekom NYRT Hungary. The transaction was executed through purchase of company M-Tele d.o.o. that acts as special purpose vehicle entity which holds 76.53% shares of Crnogorski Telekom AD. Since the entities involved in this transaction are all part of the DT Group, the Company records all assets acquired, liabilities assumed and any non-controlling interest in the acquire using the predecessor accounting method. The fair value of consideration transferred in this transaction was HRK 924 million.

Acquisition of HT Production d.o.o.

As at 1 March 2019 the Company 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 is an unlisted company located in Zagreb, pay TV provider – EVOtv. Total cost acquisition amounted to HRK 113 million (comprising of shares in HP Mostar HRK 11 million, properties HRK 72 million and cash HRK 30 million). As at 1 June 2022 HT Production is merged with HT d.d., by transfer of all its assets and obligations to HT d.d. (Note 3). Following the merger, there were no changes of existing EVOtv services.

20 Investments accounted for using the cost method

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

	31 December 2022 HRK million	31 December 2021 HRK million
Joint venture:		
HT d.d. Mostar	334	334
Impairment of investment	(95)	-
Reclassification to assets held for sale	(239)	-
	-	**334**

Investment in joint venture:

The Company has an ownership interest of 39.1% in its joint venture 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 Federation of Bosnia and Herzegovina (50.10%). In 2022 and 2021, the Company did not receive any dividend from 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 HT d.d. Mostar was impaired in the amount of HRK 95 million. As at 31 December 2022, the amount of investment of HRK 239 million is classified as assets held for sale (Note 22). The management considers the sale process to be finalized within the next twelve months.

21 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income, include the following:

Issuer	*Credit rating*	*Currency*	*Maturity*	31 December 2022	31 December 2021
				HRK million	HRK million
Fortenova Group TopCo B.V., Amsterdam		EUR		6	6
Other				2	2
Total non-current financial assets				**8**	**8**

Issuer	*Credit rating*	*Currency*	*Maturity*	31 December 2022	31 December 2021
				HRK million	HRK million
Given loan to Optima Telecom		HRK	2022	-	201
Total current financial assets				**-**	**201**

Given loan was fully repaid in January 2022.

22 Asset classified as held for sale

	31 December 2022 HRK million	31 December 2021 HRK million
Asset classified as held for sale	239	-
	239	**-**

Assets classified as held for sale refers to the joint venture HT d.d. Mostar which is incorporated in the Federation of Bosnia and Herzegovina. The Company 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 HT d.d. Mostar was impaired in the amount of HRK 95 million. As at 31 December 2022, the amount of investment of HRK 239 million is classified as assets held for sale (Note 22). The management considers the sale process to be finalized within the next twelve months.

Estimated net book value of HT d.d. Mostar as at 31 December 2022 is HRK 1,283 million (financial information for 2022 represents estimations as HT d.d. Mostar did not issue its financial statements up to the date of issuing consolidated financial statements of HT Group).

Summarised statement of financial position:	31 December 2022 HRK million Estimated
Current	
Cash and cash equivalents	178
Other current assets	343
Total current assets	**521**
Financial liabilities	21
Other current liabilities	213
Total current liabilities	**234**
Non-current	
Non-current assets	**1,079**
Financial liabilities	75
Other liabilities	8
Total non-current liabilities	**83**
Net assets	**1,283**

23 Inventories

	31 December 2022 HRK million	31 December 2021 HRK million
Inventories and spare parts (at lower of cost and net realizable value)	37	23
Merchandise (at lower of cost and net realizable value)	138	117
	175	**140**

24 Trade and other receivables

	31 December 2022 HRK million	31 December 2021 HRK million
Trade receivables	145	131
Loans to employees	15	15
Other receivables	2	2
Non-current financial instruments	162	148
Prepayment to regulator	38	72
Total non-current trade and other receivables	200	220
Trade receivables	1,100	1,076
Loans to employees	12	12
Other receivables	50	31
Current trade and other receivables	1,162	1,119
	1,363	**1,339**

24 Trade and other receivables (continued)

The aging analysis of current trade receivables and current and non-current contract assets is as of 31 December 2022 is as follows:

	Total HRK million	Current HRK million	31-60 days HRK million	61-90 days HRK million	91-180 days HRK million	>180 days HRK million
31 December 2022						
Expected loss rate		0.69-7.85%	6.13-16.98%	6.13-16.98%	14.64-86.88%	59.27-100%
Gross carrying amount - trade receivables	**1,691**	1,119	11	6	6	549
Loss allowance	**(591)**	(33)	(2)	(1)	(6)	(549)
Net amount – trade receivables	**1,100**	1,086	9	5	-	-
Gross carrying amount - contract assets	**280**	280	-	-	-	-
Loss allowance	**(15)**	(15)	-	-	-	-
Net amount – contract assets	**265**	265	-	-	-	-

The aging analysis of current trade receivables and current and non-current contract assets as of 31 December 2021 was as follows:

	Total HRK million	Current HRK million	31-60 days HRK million	61-90 days HRK million	91-180 days HRK million	>180 days HRK million
31 December 2021						
Expected loss rate		0.35-7.61%	4.46-15.18%	4.46-15.18%	14.40-71.68%	41.98-100%
Gross carrying amount - trade receivables	**1,693**	1,038	22	23	29	581
Loss allowance	**(617)**	(21)	(2)	(2)	(13)	(579)
Net amount – trade receivables	**1,076**	1,017	20	21	16	2
Gross carrying amount - contract assets	**284**	284	-	-	-	-
Loss allowance	**(13)**	(13)	-	-	-	-
Net amount – contract assets	**271**	271	-	-	-	-

24 Trade and other receivables (continued)

The following table explains the changes in the credit loss allowance for trade receivables and contract assets under simplified ECL model between the beginning and the end of the annual period:

	Contract assets HRK million	Trade receivables HRK million
As at 1 January 2022	**13**	**617**
Changes in estimates and assumptions	7	57
Financial assets derecognized during the period	-	(15)
Total credit loss allowance charge in profit and loss for the period	7	42
Write-offs	(5)	(68)
As at 31 December 2022	**15**	**591**

	Contract assets HRK million	Trade receivables HRK million
As at 1 January 2021	**12**	**686**
Changes in estimates and assumptions	6	70
Financial assets derecognized during the period	-	(22)
Total credit loss allowance charge in profit and loss for the period	6	48
Write-offs	(5)	(117)
As at 31 December 2021	**13**	**617**

25 Assets and liabilities arising from contracts with customers

The Company has recognized following assets and liabilities related to contracts with customers:

	31 December 2022 HRK million	31 December 2021 HRK million
Current contract asset resulting from		
Equipment and service sales	223	231
Value adjustment	(10)	(9)
Total current contract asset	**213**	**222**
Non-current contract asset resulting from		
Equipment and service sales	56	53
Value adjustment	(5)	(4)
Total non-current contract asset	**51**	**49**
Current capitalized contract cost resulting from		
Cost to obtain a contract	43	39
Cost to fulfil a contract	6	5
Total current capitalized contract cost	**49**	**44**
Non-current capitalized contract cost resulting from		
Cost to obtain a contract	127	100
Cost to fulfil a contract	2	2
Total non-current capitalized contract cost	**129**	**102**
Current contract liabilities	36	56
Total current contract liabilities	**36**	**56**

Decrease of contract asset compared to previous year is a result of lower sales of subsidized handsets and lower value of granted handset budgets in current year compared to previous year, followed by higher release of contract asset from previous year contracts.

Increase of contract cost compared to previous year is result of increased fees paid to indirect partners for contract acquisition.

At 31 December 2022 the Company recognized 46 HRK million of revenue that was included in the contract liability balance at the beginning of the period (2021: HRK 46 million).

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.

25 Assets and liabilities arising from contracts with customers (continued)

Company has recognized following revenue adjustments from contracts with customers, which was not in line with billed revenue, per following categories:

	31 December 2022 HRK million	31 December 2021 HRK million
Sale of goods	164	166
Sale of services	(170)	(157)
Total Residential Customers	**(6)**	**9**
Sale of goods	155	170
Sale of services	(163)	(167)
Total Business Customers	**(8)**	**3**

The following table presents information on unsatisfied performance obligations resulting from long-term contracts with customers.

	31 December 2022 HRK million	31 December 2021 HRK million
Aggregate amount of the transaction price allocated to long term contracts with customers that are unsatisfied	1,038	956

Management expects that 77% (HRK 802 million) of the transaction price allocated to unsatisfied contracts as at 31 December 2022 will be recognized as revenue during the next reporting period. The remaining 23% (HRK 236 million) will be recognized in the next 1.5 years.

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

26 Prepayments

Prepayments mainly consist of prepaid liabilities for concession fees towards regulator in amount of HRK 76 million (31 December 2021: HRK 53 million), advances towards third parties in amount of HRK 206 million most of which are advances for sports content rights secured by bank guarantees in amount of HRK 186 million (31 December 2021: HRK 18 million). Non-current prepayments are consisted completely of aforementioned HRK 186 million for sports content rights. Additionally, within prepayments are prepaid expenses in amount of HRK 6 million (31 December 2021: HRK 7 million).

27 Cash and cash equivalents and bank deposits

a) Cash and cash equivalents

Cash and cash equivalents comprise the following amounts:

	31 December 2022 HRK million	31 December 2021 HRK million
Cash on hand and balances with banks	1,570	1,421
Commercial papers	750	1,079
Reverse repurchase agreement	226	-
Time deposits with maturity less than 3 months	14	13
	2,560	**2,513**

Company has deposited an amount of HRK 226 million secured with a reverse repurchase agreement of Croatian government bonds CROATIA 1,75% 03/04/41 (ISIN: XS2309433899).

b) Currency breakdown of cash and cash equivalents and time deposits:

	31 December 2022 HRK million	31 December 2021 HRK million
HRK	2,253	1,971
EUR	288	523
GBP	1	-
USD	18	19
	2,560	**2,513**

28 Trade payables and other liabilities

	31 December 2022 HRK million	31 December 2021 HRK million
Content contracts	23	5
Licence for radio frequency spectrum	61	96
Other	3	4
Non-current	87	105
Trade payables	825	714
Content contracts	94	102
VAT and other taxes payable	5	10
Payroll and payroll taxes	54	54
Other	22	9
Current	1,001	889
	1,088	**994**

29 Employee benefit obligations

Employee benefits include retirement payments in accordance with the collective agreement. Jubilee awards were discontinued during 2014. Long-term employee benefits are determined using the projected unit credit method. Gains and losses resulting from changes in actuarial assumptions are recognized as other comprehensive income in the period in which they occur.

Employee benefits include a compensation for the employees, described in Note 43.

The movement in the liability recognized in the statement of financial position was as follows:

	2022 HRK million	2021 HRK million
As at 1 January	19	11
LTI changes	14	10
LTI paid	(5)	(2)
LTI transfer to other liabilities	(2)	-
Service costs	1	1
Benefit paid	(1)	(1)
As at 31 December	**26**	**19**
Retirement	2	2
LTI	24	17
	26	**19**
Retirement	2	2
LTI – non-current	13	10
Non-current	15	12
LTI – current	11	7
Current	**26**	**19**

The principal actuarial assumptions used to determine retirement benefit obligations as at 31 December were as follows:

	2022 in %	2021 in %
Discount rate (annually)	3.00	3.00

30 Provisions

	Legal claims HRK million	Asset retirement obligation HRK million	Total HRK million
As at 1 January 2021	**42**	**30**	**72**
Additions	52	-	52
Utilisation	(19)	-	(19)
Reversals	(1)	-	(1)
Interest costs	-	1	1
As at 1 January 2022	**74**	**31**	**105**
Additions	52	1	53
Utilisation	(37)	-	(37)
Reversals	(2)	(1)	(3)
Interest costs	-	2	2
As at 31 December 2022	**87**	**33**	**120**

Legal claims

As at 31 December 2022, the Company has provided estimated amounts for several legal actions and claims that management has assessed as probable to result in outflow of resources of the Company.

Asset retirement obligation

Asset retirement obligation primarily exists in the case of telecommunications structures constructed on third parties' properties. The Company carries out a revision of the necessary provisions every year.

31 Accruals

	Variable salary HRK million	Redundancy HRK million	Unused vacation HRK million	Total HRK million
As at 1 January 2021	**48**	**26**	**4**	**78**
Additions	101	68	1	170
Utilisation	(97)	(70)	-	(167)
As at 1 January 2022	**52**	**24**	**5**	**81**
Additions	101	54	-	155
Utilisation	(91)	(52)	-	(143)
Reversal	(5)	-	1	(4)
As at 31 December 2022	**57**	**26**	**6**	**89**

Redundancy

Redundancy expenses and accruals include the amount of gross severance payments and other related costs for employees whose employment contracts are terminated during 2022.

32 Issued share capital

Authorized, issued, fully paid and registered share capital:

	31 December 2022 HRK million
78,775,842 ordinary shares without par value	10,245

	31 December 2021 HRK million
80,047,509 ordinary shares without par value	10,245

In 2022, 1,271,667 shares were cancelled (2021: 718,720 shares).

33 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. Legal reserves that do not exceed the above amount can only be used to cover current year or prior year losses. If the legal reserves exceed 5% of the issued capital, they can also be used to increase the issued share capital of the Company. These reserves are not distributable.

34 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. 528,245 shares that were bought through this program in 2020 were cancelled in 2021. Additional 205,443 shares which were bought from 1 January 2021 to 20 April 2021 were cancelled in 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 2022, a total of 1,271,667 shares were canceled, out of which 326,838 shares were bought in 2021.

Reserve for purchased own shares amounts to HRK 3 million as of 31 December 2022 (31 December 2021: HRK 61 million) and is not distributable.

The Company holds 19,952 own shares as at 31 December 2022 (31 December 2021: 326,838).

35 Retained earnings

In 2022, General Assembly of the Company has brought the decision regarding the dividend pay-out. Under that decision, HRK 630 million (2021: HRK 640 million) or HRK 8 per share were paid out to shareholders (2021: HRK 8). Dividend was distributed from net profit in 2021.

36 Commitments

Capital commitments

The Company was committed under contractual agreements to capital expenditure as follows:

	31 December 2022 HRK million	31 December 2021 HRK million
Intangible assets	692	333
Property, plant and equipment	932	1,072
	1,624	**1,405**

37 Contingencies

At the time of preparation of these financial statements, there are outstanding claims against the Company. In the opinion of the management, the settlement of these cases will not have a material adverse effect on the financial position of the Company, except for certain claims for which a provision was established (Note 30).

The Company 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 Company received a lawsuit filed by the Zagreb Holding Ltd. branch Zagreb Digital City ("ZHZDG") against the Company. 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 HRK 390 million plus interest.

This lawsuit is based on a claim that the Company is using DTI owned by the City of Zagreb without any remuneration.

In December 2012, the Company received the partial interlocutory judgement and partial judgement by which it was determined that the Company 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 Company appealed against this judgment.

In August 2015 the second instance County Court of Varaždin accepted the Company'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 HRK 90 million each year respectively. Therefore, the claim now amounts altogether HRK 660 million, plus interest.

Based on the merit and development of the above legal proceedings, the Company concluded that the likelihood of an obligation arising from these legal cases is remote, and that there was no need to present a provision related to these cases in these financial statements.

37 Contingencies (continued)

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 HRK 925 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 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 misdemeanor proceedings

The Croatian Regulatory Authority for Network Industries (HAKOM) initiated two misdemeanor proceedings against HT in connection with possible breach of imposed regulatory obligations in 2018. Electronic Communications Act prescribes for such misdemeanors fine in the amount of 1% up to a maximum of 10% of the total annual gross revenue of the Company from performing electronic communications networks and services, achieved in the last year for which exist concluded annual financial reports.

In one of this misdemeanor proceedings, initiated against HT regarding breach of price control and cost accounting regulatory obligation, High Misdemeanour Court confirmed in 2022 fine imposed to HT by the first-instance judgement of the Misdemeanour Court in the amount of HRK 36 million, with the possibility for HT of the payment of 2/3 of the imposed fine within one month, in which case it will be considered as the fine has been paid in its entirety.

HT paid 2/3 of the imposed fine, i.e. HRK 24 million and filed against this judgment constitutional claim to the Constitutional Court of the Republic of Croatia and a proposal to the State Attorney’s Office in order to initiate proceedings for the protection of legality before the Supreme Court of the Republic of Croatia.

In another misdemeanor proceeding initiated against HT for abusing access, non-discrimination and transparency regulatory obligation, misdemeanor procedure is still on-going.

37 Balances and transactions with related parties

The transactions disclosed below primarily relate to transactions with the companies owned by DTAG. The Company 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 2022 and 2021.

The main transactions with related parties during 2022 and 2021 were as follows:

	Revenue		Expenses	
	2022	2021	2022	2021
Related party:	HRK million	HRK million	HRK million	HRK million
Ultimate parent				
Deutsche Telekom AG, Germany	13	100	47	34
Joint venture				
HT d.d. Mostar, Bosnia and Herzegovina	5	6	3	4
Subsidiaries of ultimate parent				
Telekom Deutschland GmbH, Germany	85	-	88	96
Deutsche Telekom UK Limited	7	8	1	38
T-Mobile Austria GmbH, Austria	16	16	11	11
Slovak Telecom a.s., Slovakia	14	16	3	3
Deutsche Telekom Services Europe SE	-	-	6	5
T-Systems International GmbH, Germany	2	2	7	6
Magyar Telekom Nyrt., Hungary	11	11	4	4
T-Mobile Czech	14	15	1	1
T-Mobile Polska	6	6	3	3
T-Mobile Netherlands	-	8	-	2
Deutsche Telekom IT GmbH	-	-	10	11
DT Europe Holding	-	-	2	1
Deutsche Telekom Cloud Services d.o.o	1	4	-	-
Hellenic Telecommunications Organization	-	-	6	2
Others	2	3	2	3
	176	**195**	**194**	**224**

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 HT Mostar relate to International settlement of telecommunications services.

38 Balances and transactions with related parties (continued)

The statement of financial position includes the following balances resulting from transactions with related parties:

	Receivables		Payables	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Related party:	HRK million	HRK million	HRK million	HRK million
Ultimate parent				
Deutsche Telekom AG, Germany	-	-	61	78
Subsidiaries of ultimate parent				
Telekom Deutschland GmbH, Germany	-	-	78	14
Makedonski Telekom	-	2	-	-
Deutsche Telekom Cloud Services d.o.o	3	1	-	-
Magyar Telekom Nyrt., Hungary	-	1	-	-
Deutche Telekom UK Limited	-	-	4	6
Deutsche Telekom IT GmbH	-	-	10	-
Slovak Telecom a.s., Slovakia	1	1	-	-
T-Systems International GmbH, Germany	-	-	2	32
Others	1	-	7	9
	5	**5**	**162**	**139**

At the year end the Company holds investment in commercial paper of ultimate parent in the amount of HRK 750 million (31 December 2021: HRK 1,079 million) (Note 27).

In 2022, the Company granted short term loans to Iskon Internet d.d. in amount of HRK 40 million and Combis d.o.o. in amount of HRK 90 million (31 December 2021: HRK 30 million to HT Production).

Interest rate for given loans amounts 2.1%.

The Company had the following transactions and balances with its subsidiaries excluding loans in the amount of HRK 15 million (31 December 2021: HRK 60 million):

	Revenues	Capital expenditures	Expenses	Receivables	Payables
Subsidiaries:	HRK million	HRK million	HRK million	HRK million	HRK million
2022 / 31 December 2022	159	160	48	191	71
2021 / 31 December 2021	318	96	54	186	54

38 Balances and transactions with related parties (continued)

The Company was committed under contractual agreements to capital expenditure with its subsidiaries as follows:

	31 December 2022 HRK million	31 December 2021 HRK million
Intangible assets	30	26
Property, plant and equipment	123	98
	153	**124**

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 Company as well. The Company did not execute as part of its normal business activities any transactions that were individually material in the 2022 or 2021 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.

Compensation to the members of the 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, remuneration is the amount of 1.25 times 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, remuneration is the amount of 1.5 times of the average monthly 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 a member of the one board or committee of the Supervisory Board, remuneration is the amount of 1.25 times of the average monthly net salary of the employees of the Company paid in the previous month. To a member of the Supervisory Board, who is at the same time a member of two or more committees of the Supervisory Board, remuneration is the amount of 1. 5 times of the average monthly net salary of the employees of the Company 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 2022, the Company paid a total amount of HRK 0.8 million (2021: HRK 0.8 million) to the members of its Supervisory Board. No loans were granted to the members of the Supervisory Board.

38 Balances and transactions with related parties (continued)

Compensation to key management personnel

In 2022, the total compensation paid to key management personnel of the Company amounted to HRK 39 million (2021: HRK 34 million). Key management personnel include members of the Management Boards and the operating directors of the Company, who are employed by the Company.

Compensation paid to key management personnel includes:

	2022	2021
	HRK million	HRK million
Short-term benefits	39	34
	39	**34**

In 2022, the total cost of pension contribution is HRK 4 million (2021: HRK 3 million).

39 Financial risk management objectives and policies

The Company is exposed to international service-based markets. As a result, the Company can be affected by changes in foreign exchange rates. The Company 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 below. The Company does not use derivative instruments either to manage risk or for speculative purposes.

a) Credit risk

The Company has no significant concentration of credit risk with any single counter party or group of counterparties with similar characteristics. The Company 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 Company does not guarantee obligations of third parties. The Company has issued guarantees for obligations of its subsidiaries in total amount of HRK 65 million.

The Company considers 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.

Additionally, the Company is exposed to risk through cash deposits in the banks. As at 31 December 2022, the Company had business transactions with eight banks (2021: eight banks). The Company held major portion of cash and deposits in three banks. For one domestic bank with foreign ownership, the Company received guarantee for deposits placed from parent bank which have a minimum rating of BBB+ and acceptable CDS level. 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 Company applies 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 Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

39 Financial risk management objectives and policies (continued)

a) Credit risk (continued)

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 Company has 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 to amortized cost. Credit risk is measured using the general approach. Impairment losses are recognized on the basis of individual impairment. The Company uses 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, Company took the CDS indicator of Croatia, which was on 31 December 2022 amounted to 1.03%. Credit risk amount is calculated using the formula: deposit amount * number of days * 0.70% / 365. For a vista deposits the Company uses 2 days.

The credit quality of non-current financial assets can be assessed by historical information about counterparty default rates:

	31 December 2022 HRK million	31 December 2021 HRK million
Trade receivables for merchandise sold	145	131
Prepayments to regulator	38	72
Loans to employees	15	15
Other receivables	2	2
	200	**220**

Trade receivables from subsidiaries and other current receivables are neither past due nor impaired.

The credit quality of all other financial assets (Note 40) implies the total carrying amount as at the balance sheet date is considered.

39 Financial risk management objectives and policies (continued)

b) Liquidity risk

The Company 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 financial assets that are valued at fair value through other comprehensive income.

	Trade and other payables			Other non-current liabilities		
all amounts in HRK million	Less than 3 months	3 to 12 months	*Total*	1 to 5 years	> 5 years	*Total*
Year ended 31 December 2022	948	86	*1,034*	54	46	*100*
Year ended 31 December 2021	828	88	*916*	75	56	*131*

	Lease liabilities			Lease liabilities		
all amounts in HRK million	Less than 3 months	3 to 12 Months	*Total*	1 to 5 years	> 5 years	*Total*
Year ended 31 December 2022	48	98	*146*	219	229	*448*
Year ended 31 December 2021	52	99	*151*	251	248	*499*

39 Financial risk management objectives and policies (continued)

c) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial assets at fair value through other comprehensive income, cash, cash equivalents, time deposits and bank borrowings. The Company is not exposed to variable interest rates.

d) Foreign currency risk

As at 31 December 2022 the Company's functional currency is the Croatian Kuna. Certain assets and liabilities are denominated in foreign currencies which are translated at the valid middle exchange rate of the Croatian National Bank at each statement of financial position date. The resulting differences are charged or credited to the statement of comprehensive income but do not affect short-term cash flows.

A significant amount of deposits in the banks, financial assets at fair value through other comprehensive income, cash equivalents, receivables and payables are made in foreign currency, primarily in Euro.

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.

e) 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. The 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.

f) Capital management

The primary objective of the Company's capital management is to ensure that business support and maximise shareholder value. The capital structure of the Company comprises issued share capital, reserves and retained earnings and totals HRK 12,455 million as at 31 December 2022 (31 December 2021: HRK 12,603 million).

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the 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 2022 and 31 December 2021 (Notes 33 and 36).

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.

39 Financial risk management objectives and policies (continued)

f) Capital management (continued)

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 2022

IEN-RK: Section A - Calculation of Regulatory Capital

HRK

No.	Item	
1.	**REGULATORY CAPITAL**	10,386,789,929.59
2.	**EQUITY TIER 1 CAPITAL**	10,386,789,929.59
3.	**COMMON EQUITY TIER 1 CAPITAL**	10,386,789,929.59
4.	Capital instruments	10,244,977,390.00
5.	Share premium	0.00
6.	(-) Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 Capital	-9,215,740.88
7.	Retained earnings or (-) carry back losses	995,938,285.90
8.	Losses for the current fiscal year	0.00
9.	Accumulated other comprehensive income	49,625.29
10.	Other reserves	528,173,032.42
11.	(+)/(–) Adjustments to the Common Equity Tier 1 from prudential filters	0.00
12.	Intangible assets	-1,246,612,014.19
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
18.	(-) Deferred tax assets that rely on future profitability and arise from temporary differences	-126,520,648.95

39 Financial risk management objectives and policies (continued)

f) Capital management (continued)

Regulatory capital for electronic money institutions (continued)

No.	Item	
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	0.000
22.	**ADDITIONAL TIER 1 CAPITAL**	0.000
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**	0.000
42.	Profit for the year	694,820,004.41

39 Financial risk management objectives and policies (continued)

f) Capital management (continued)

Regulatory capital for electronic money institutions (continued)

REGULATORY CAPITAL FOR ELECTRONIC MONEY INSTITUTIONS - FORM IEN-RK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2022

IEN- RK: Section B – Capital available to calculate the amount of regulatory capital

Number	Item	Total amount HRK	Capital available to calculate the amount of regulatory capital HRK	Excess
		1	*2*	*3*
1.	Common Equity Tier 1 Capital	10,386,789,929.59	10,386,789,929.59	
2.	Additonal Tier 1 Capital	0.00	0.00	0.00
3.	Equity Tier 1 Capital	10,386,789,929.59	10,386,789,929.59	
4.	Tier 1 Capital	0.00	0.00	0.00
5.	**Regulatory Capital**		10,386,789,929.59	

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 2022

IEN-MRK: Section A - Minimum required regulatory capital for electronic money institutions

HRK

Number	Calculation	Amount
1.	Average unused electronic money	3.324,87
2.	Minimum required regulatory capital for electronic money institutions	66,50

39 Financial risk management objectives and policies (continued)

f) 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 2022

IPP-MRK: Section A - Minimum required regulatory capital for payment institutions

Number	Calculation	Amount
1.	Total amount of payment transactions in the previous year	241.863.642,48
2.	Payment volume	20.155.303,54
3.	Total amount (4., 5. ,6., 7., 8.)	806.212,14
4.	4% of payment volume up to the amount of HRK 38 million	806.212,14
5.	2.5% of payment volume over the amount of HRK 38 million and up to the amount of HRK 76 million	0,00
6.	1% of payment volume over the amount of HRK 76 million and up to the amount of HRK 750 million	0,00
7.	0.5% of payment volume over the amount of HRK 750 million and up to the amount of HRK 1,875 million	0,00
8.	0.25% of payment volume over the amount of HRK 1,875 million	0,00
9.	Factor k	1,00
10.	Minimum required regulatory capital for payment institutions	806.212,14

39 Financial risk management objectives and policies (continued)

g) Offsetting

The following financial assets and financial liabilities are subject to offsetting:

	Trade receivables		Trade payables	
	31 December 2022 HRK million	31 December 2021 HRK million	31 December 2022 HRK million	31 December 2021 HRK million
Gross recognized amounts	72	56	210	157
Offsetting amount	(54)	(37)	(54)	(37)
	18	**19**	**156**	**120**

40 Financial instruments

Recurring fair value measurement

The level in fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

	31 December 2022			31 December 2021		
	HRK million	HRK million	HRK million	HRK million	HRK million	HRK million
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Assets classified as held for sale	-	-	239	-	-	-
Financial assets at fair value through other comprehensive income, non-current	8	-	-	8	-	-
Financial assets at fair value through other comprehensive income, current	-	-	-	201	-	-
Financial liabilities:						
Non-current liability						
Interest-bearing loans	3	-	-	4	-	-

Fair value of Level 2 financial instruments is calculated using discounted cash flows method. Carrying amounts and fair values of all of the Company’s financial instruments are the same in 2022 and 2021.

41 Net debt reconciliation

	Cash/bank overdraft	Liquid investments	Other fin. liabilities (spectrum and content) within 1 year	Other fin. liabilities (spectrum and content) after 1 year	Lease liabilities	Total
	HRK million	HRK million	HRK million	HRK million	HRK million	HRK million
Net debt as at 31 December 2020	**2,706**	**1**	**(131)**	**(21)**	**(528)**	**2,027**
Cash flow	(187)	(1)	198	-	288	298
Reclassification of current portion	-	-	(166)	166	-	-
Additions	-	-	-	(246)	(296)	(542)
Termination/modification of lease contracts	-	-	-	-	9	9
Other non financial movements	-	-	(3)	-	-	(3)
Foreign exchange movements	(6)	-		-	1	(5)
Net debt as at 31 December 2021	**2,513**	**-**	**(102)**	**(101)**	**(526)**	**1,784**
Cash flow	47	-	274	-	291	612
Reclassification of current portion	-	-	(249)	249	-	-
Additions	-	-	-	(232)	(243)	(475)
Termination/modification of lease contracts	-	-	-	-	6	6
Merger of subsidiary (Note 3)	-	-	(20)	-	-	(20)
Other non financial movements	-	-	3	-	-	3
Foreign exchange movements	-	-	-	-	-	-
Net debt as at 31 December 2022	**2,560**	**-**	**(94)**	**(84)**	**(472)**	**1,910**

Liquid investments consist of bank deposits and financial assets at fair value through other comprehensive income.

42 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) and in accordance with the Article 12 of the European Electronic Communications Code (Directive (EU) 2018/1972) and BEREC Guidelines (BoR (19) 259), 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 services.

On 26 February 2013 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 i.e. till 26 February 2023.

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 three (3) years starting from 1 December 2022 with the obligation to provide following universal services during the mentioned period:

- 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,
- 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,

42 Authorization for Services and Applicable Fees (continued)

a) Service authorization for the performance of electronic communications services in a fixed and mobile network (continued)

- special measures for persons with disabilities to access services, including access to emergency services, in the same way as other end-users
- 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

By the decision of HAKOM of 21 October 2022, the Company was issued the approval for the prices of universal services.

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.

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.

42 Authorization for Services and Applicable Fees (continued)

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 2022, 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. 154/08, 28/09, 97/10, 92/12, 62/14, 147/14, 138/15, 77/16, 126/17, 55/18, 99/18, 64/19 73/20, and 141/21),
- 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) and of 12 August 2021 (spectrum in 700 MHz, 3600 MHz and 26 GHz frequency bands), and
- 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. 144/20 and 143/21).

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 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.

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 3 - 10 HRK/m2/y depending on the property type.

42 Authorization for Services and Applicable Fees (continued)

e) Electronic communications infrastructure and associated facilities (ECI) (continued)

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 4,75 HRK/m2/y for ECI laid on highways and 2,40 HRK/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.

43 Share-based and non share-based payment transactions

Long-term incentive plans (LTI) introduced in 2019, 2020, 2021 and 2022 exist at Group level.

LTI 2018 ended on 31 December 2021 and the Supervisory Board has determined final target achievement and awarded amount of HRK 4,006,932 which was paid to plan participants in June 2022.

The LTI (Long term incentive) plan initiated in 2022, covers the period from 1 January 2022 to 31 December 2025.

Share Matching Plan (SMP), plan for the award of bonus shares to managers, is active in 2022. The term of the 2022 SMP covers the period from 1 July 2022 to 30 June 2026. 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 2018 covered the period from 1 July 2018 to 30 June 2022 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 2016. 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 2022 as a part of the Share Matching Plan (SMP) 2018 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 (in EUR)	Non-cash benefit (in EUR)	Non-cash benefit (in EUR)
2018	2.918	38,30	55.888	49.215

EU Game Changer Incentive Program is 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.

All gains and expenses resulting from changes of the related provisions for all LTIP plans recognized for employee services received during the year are shown in the following table:

	2022 HRK million	2021 HRK million
Expenses	15	10
	15	**10**

44 Auditor's fees

The auditors of the Company's financial statements have rendered services of HRK 4 million in 2022 (2021: HRK 4 million). Services rendered in 2022 and 2021 mainly relate to audits of the financial statements and audit of financial statements prepared for regulatory purposes.

45 Subsequent events

As at 1 January 2023 Croatia joined the euro area and adopted Euro as an official currency. The fixed official exchange rate is set at 7,53450 HRK per 1 EUR.