Croatian Telecom Inc.

Consolidated and separate financial statements

31 December 2023

Contents

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Report on the Audit of the Financial Statements

Key Audit Matters (continued)

<table>
<tr><th>Revenue recognition</th><th>How we addressed key audit matter</th></tr>
<tr><td colspan="2">Refer to Note 2.3.1 Significant accounting estimates - Revenue recognition, Note 2.4. (p) Revenue recognition and Note 4 Segment information of the financial statements.</td></tr>
<tr><td>We consider revenue recognition as a key audit matter due to following:

a) the accounting complexity;

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

b) the complex structure of the IT systems;

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

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

As a result of the above factors as well as significance of revenues to the financial statements, the revenue recognition is considered as a key audit matter.</td><td>In order to assess risks of material misstatement, we first obtained an understanding of the process and the internal controls related to the recognition of revenue by taking into account the corporate environment and the applicable accounting standards.

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

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

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

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

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

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

Furthermore, we used data analysis tools to generate evaluations of different revenue flows over time and analyzed deviations from expected trends. We examined the customer and contract data used in the analyses by comparing the related contracts with the corresponding data in the master data systems on a sample basis.</td></tr>
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INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Matter

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

Other Information

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

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

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

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

1) Information included in the other information is, in all material respects, consistent with the attached separate and consolidated financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Articles 21 and 24 of the Accounting Act.
3) Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Articles 22 and 24 of the Accounting Act,

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the separate and the Consolidated Financial Statements (continued)

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

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

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

Responsibilities of the Management and Those Charged with Governance

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

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

Furthermore, Company Management is responsible for the following:

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

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

Auditor's Responsibilities

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

Quality management

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

Procedures performed

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

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

Our procedures focused on assessing whether:

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

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

Conclusion

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

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

INDEPENDENT AUDITOR’S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

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

We confirm that:

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

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

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

Katarina Kadunc
Director and Certified auditor

Deloitte d.o.o.

19 March 2023
Radnička cesta 80,
10 000 Zagreb,
Croatia

Digitally signed by:
KATARINA KADUNC
Date:
19-ožu-2024
12:53:33
Web e-Potpis

DN:
C=HR
O=DELOITTE D.O.O.
2.5.4.97=#130D4852313136
L=ZAGREB
S=KADUNC
G=KATARINA
CN=KATARINA KADUNC

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Responsibility for the consolidated and separate financial statements

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

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

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

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

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

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

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

15 March 2024

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 Group and 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 Business

Consolidated and separate statement of comprehensive income

For the year ended 31 December 2023

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

Consolidated and separate statement of comprehensive income (continued)
For the year ended 31 December 2023

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

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

Consolidated and separate statement of financial position
As at 31 December 2023

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

Consolidated and separate statement of financial position (continued)
As at 31 December 2023

		Group		Company	
		31 December	31 December	31 December	31 December
EUR thousand	Notes	2023	2022	2023	2022
EQUITY AND LIABILITIES					
Issued capital and reserves					
Issued share capital	*33*	1,359,742	1,359,742	1,359,742	1,359,742
Legal reserves	*34*	67,987	67,987	67,987	67,987
Effects of foreign exchange		361	361	-	-
Other reserves		250	200	186	133
Cash flow hedge reserves	*35*	(172)	-	(172)	-
Reserve for treasury shares	*36*	21,226	472	21,226	472
Treasury shares	*36*	(22,170)	(808)	(21,226)	(472)
Retained earnings	*37*	231,329	206,490	243,127	225,153
Total equity attributable to equity holders of the parent		**1,658,553**	**1,634,444**	**1,670,870**	**1,653,015**
Non-controlling interest		32,939	32,561	-	-
Total issued capital and reserves		**1,691,492**	**1,667,005**	**1,670,870**	**1,653,015**
Non-current liabilities					
Provisions	*31*	13,759	16,728	12,910	15,946
Lease liabilities	*17*	50,930	50,217	44,802	45,949
Liabilities from other derivative financial instruments for cash flow hedges		172	-	172	-
Employee benefit obligations	*30*	2,901	2,377	2,331	1,966
Trade payables and other liabilities	*29*	9,459	16,502	7,338	11,581
Deferred tax liability	*13*	4,145	4,380	362	355
Total non-current liabilities		**81,366**	**90,204**	**67,915**	**75,797**
Current liabilities					
Trade payables and other liabilities	*29*	225,842	173,227	179,139	132,813
Contract liabilities	*26*	12,085	10,368	6,646	4,828
Employee benefit obligations	*30*	2,306	1,472	2,272	1,467
Accruals	*32*	16,449	14,087	13,757	11,815
Payables to subsidiaries	*40*	-	-	8,680	9,405
Lease liabilities	*17*	16,038	20,156	13,918	16,723
Income tax payable		8,271	12,912	7,255	11,585
Deferred income		7,647	1,220	7,645	1,220
Total current liabilities		**288,638**	**233,442**	**239,312**	**189,856**
Total liabilities		**370,004**	**323,646**	**307,227**	**265,653**
TOTAL EQUITY AND LIABILITIES		**2,061,496**	**1,990,651**	**1,978,097**	**1,918,668**

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

Consolidated and separate statement of cash flows
For the year ended 31 December 2023

		Group		Company	
EUR thousand	Notes	2023	2022	2023	2022
Operating activities					
Profit before income tax		160,448	117,394	153,484	117,368
Depreciation and amortization	*8*	270,229	263,702	231,948	222,741
Impairment loss of PPE & Intangible assets	*8*	754	1,918	628	1,917
Impairment of investment in joint venture	*8*	-	18,801	-	12,649
Interest income	*11*	(7,009)	(951)	(6,552)	(718)
Interest expense	*12*	7,623	8,351	6,034	7,261
(Gain) / loss on disposal of assets	*5,10*	(500)	(5,921)	(434)	(5,539)
Other net financial loss	*11,12*	327	812	74	531
(Increase) / decrease in inventories		1,023	(9,669)	(1,702)	(4,348)
Net impairment losses on trade receivables and contract assets	25	12,050	8,470	10,544	6,548
(Increase) / decrease in receivables and prepayments		(60,973)	(43,966)	(59,608)	(26,817)
(Increase) / decrease in contract assets/costs	*26*	(10,470)	(2,654)	(11,877)	(2,005)
Increase / (decrease) in payables and accruals		25,326	9,226	28,055	5,309
Increase / (decrease) in contract liabilities		1,717	(1,725)	1,818	(2,654)
Increase / (decrease) in provisions	*31*	(3,036)	1,671	(3,283)	1,858
Increase / (decrease) in employee benefit obligations	*30*	1,199	738	1,203	664
Increase / (decrease) in accruals	*32*	2,362	1,694	1,942	1,062
Other non-cash items		393	(146)	1,121	-
Cash generated from operations		401,464	367,745	353,395	335,825
Interest paid		(6,533)	(5,368)	(5,431)	(4,525)
Income tax paid		(34,417)	(17,479)	(32,012)	(17,089)
Net cash flows from operating activities		**360,514**	**344,899**	**315,952**	**314,212**
Investing activities					
Purchase of non-current assets		(303,565)	(194,768)	(275,903)	(175,563)
Proceeds from sale of non-current assets		1,181	16,748	784	16,140
Proceeds from financial assets at fair value through other comprehensive income		-	26,677	-	26,677
Receipts from investments in financial assets		10,825	-	10,000	-
Other investment (paid) / received		(282)	71	(468)	475
Given loan to subsidiary		-	-	(27,000)	(19,908)
Loan repayment from subsidiary		-	-	25,991	25,881
Proceeds from given guarantee deposit		3,395	-	-	-
Payments for secured deposits		(29,320)	(8,625)	(29,190)	-
Interest received		6,511	1,290	5,771	734
Net cash flows used in investing activities		**(311,255)**	**(158,607)**	**(290,016)**	**(125,565)**
Financing activities					
Dividends paid	*37*	(86,464)	(83,649)	(86,464)	(83,649)
Dividend paid to non-controlling interest in subsidiary		(541)	(664)	-	-
Repayment of radio frequency spectrum and content	*43*	(34,613)	(43,299)	(26,659)	(36,368)
Repayment of lease liability principal amounts	*17*	(45,568)	(42,127)	(40,556)	(38,528)
Acquisition of treasury shares	*36*	(22,417)	(24,283)	(21,190)	(23,947)
Net cash flows used in financing activities		**(189,603)**	**(194,020)**	**(174,869)**	**(182,492)**
Net (decrease) / increase/ in cash and cash equivalents		(140,344)	(7,728)	(148,933)	6,155
Cash and cash equivalents as at 1 January		373,422	381,074	339,775	333,584
Exchange (losses) on cash and cash equivalents		-	76	-	35
Cash and cash equivalents as at 31 December	*28*	**233,078**	**373,422**	**190,842**	**339,775**

Consolidated statement of changes in equity

For the year ended 31 December 2023

Group	Issued share capital	Legal reserves	Effects of foreign exchange	Other reserves	Cash flow hedge reserves	Reserve for treasury share	Treasury shares	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
EUR thousand											
	(Note 33)	(Note 34)			(Note 35)	(Note 36)	(Note 36)	(Note 37)			
Balance as at 1 January 2022	**1,359,742**	**67,987**	**39**	**158**	**-**	**8,149**	**(8,149)**	**228,118**	**1,656,044**	**32,611**	**1,688,655**
Profit for the year	-	-	-	-	-	-	-	86,987	86,987	614	87,601
Other comprehensive income for the year	-	-	322	8	-	-	-	32	362	-	362
Total comprehensive income for the year	**-**	**-**	**322**	**8**	**-**	**-**		**87,019**	**87,349**	**614**	**87,963**
Dividends (Note 37)	-	-	-	-	-	-	-	(83,649)	(83,649)	(664)	(84,313)
Reserve for treasury shares	-	-	-	-	-	23,947	-	(23,947)	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(24,283)	-	(24,283)	-	(24,283)
Share based payments	-	-	-	-	-	(373)	373	373	373	-	373
Effect of merger of subsidiary (Note 3)	-	-	-	-	-	-	-	(1,416)	(1,416)	-	(1,416)
Shares cancelled	-	-	-	-	-	(31,251)	31,251	-	-	-	-
Other changes	-	-	-	34	-	-	-	(8)	26	-	26
Balance as at 31 December 2022	**1,359,742**	**67,987**	**361**	**200**	**-**	**472**	**(808)**	**206,490**	**1,634,444**	**32,561**	**1,667,005**
Balance as at 1 January 2023	**1,359,742**	**67,987**	**361**	**200**	**-**	**472**	**(808)**	**206,490**	**1,634,444**	**32,561**	**1,667,005**
Profit for the year	-	-	-	-	-	-	-	132,029	132,029	1,585	133,614
Other comprehensive income for the year	-	-	-	18	(172)	-	-	31	(123)		(123)
Total comprehensive income for the year	**-**	**-**	**-**	**18**	**(172)**	**-**	**-**	**132,060**	**131,906**	**1,585**	**133,491**
Dividends (Note 37)	-	-	-	-	-	-	-	(86,464)	(86,464)	(541)	(87,005)
Reserve for treasury shares	-	-	-	-	-	20,754	-	(20,754)	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(22,134)	-	(22,134)	(283)	(22,417)
Share based granted	-	-	-	-	-	-	436	-	436	-	436
Shares cancelled	-	-	-	-	-	-	259	-	259	-	259
Other changes	-	-	-	32	-	-	77	(3)	106	(383)	(277)
Balance as at 31 December 2023	**1,359,742**	**67,987**	**361**	**250**	**(172)**	**21,226**	**(22,170)**	**231,329**	**1,658,553**	**32,939**	**1,691,492**

Separate statement of changes in equity (continued)
For the year ended 31 December 2023

Company EUR thousand	Issued share capital (Note 33)	Legal reserves (Note 34)	Other reserves	Cash flow hedge reserves (Note 35)	Reserve for treasury shares (Note 36)	Treasury shares (Note 36)	Retained earnings (Note 37)	Total
Balance as at 1 January 2022	**1,359,742**	**67,987**	**99**	**-**	**8,149**	**(8,149)**	**244,850**	**1,672,678**
Profit for the year	-	-	-	-	-	-	92,218	92,218
Other comprehensive income for the year	-	-	8	-	-	-	32	40
Total comprehensive income for the year	**-**	**-**	**8**	**-**	**-**	**-**	**92,250**	**92,258**
Reserve for treasury shares	-	-	-	-	23,947	-	(23,947)	-
Acquisition of treasury shares	-	-	-	-	-	(23,947)	-	(23,947)
Shares cancelled	-	-	-	-	(31,251)	31,251	-	-
Share based payments	-	-	-	-	(374)	374	374	374
Effect of merger of subsidiary (Note 3)	-	-	-	-	-	-	(4,725)	(4,725)
Other changes	-	-	26	-	-	-	-	26
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(83,649)	(83,649)
Balance as at 31 December 2022	**1,359,742**	**67,987**	**133**	**-**	**472**	**(472)**	**225,153**	**1,653,015**
Balance as at 1 January 2023	**1,359,742**	**67,987**	**133**	**-**	**472**	**(472)**	**225,153**	**1,653,015**
Profit for the year	-	-	-	-	-	-	125,161	125,161
Other comprehensive income for the year	-	-	18	(172)	-	-	31	(123)
Total comprehensive income for the year	**-**	**-**	**18**	**(172)**	**-**	**-**	**125,192**	**125,038**
Reserve for treasury shares	-	-	-	-	20,754	-	(20,754)	-
Acquisition of treasury shares	-	-	-	-	-	(21,190)	-	(21,190)
Share based granted	-	-	-	-	-	436	-	436
Other changes	-	-	35	-	-	-	-	35
Dividends paid to equity holders of the Company	-	-	-	-	-	-	(86,464)	(86,464)
Balance as at 31 December 2023	**1,359,742**	**67,987**	**186**	**(172)**	**21,226**	**(21,226)**	**243,127**	**1,670,870**

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

1 Corporate information

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

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

The consolidated financial statements include the financial statements of:

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

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

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

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

2.1. Basis of preparation

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

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

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

2.2. Changes in accounting policies and disclosures

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

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

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

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

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

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

2.2. Changes in accounting policies and disclosures (continued)

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

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

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

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

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

2.3. Significant accounting judgments, estimates and assumptions

2.3.1. Significant accounting estimates

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

Capitalized content rights

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

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

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

Provisions and contingencies

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

Impairment of non-financial assets

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

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

2.3.1. Significant accounting estimates (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 and 16.

Useful lives of assets

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

2.3 Significant accounting judgments, estimates and assumptions (continued)

2.3.1. Significant accounting estimates (continued)

Impairment of goodwill

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

Content contract liability

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

Intangible assets with an indefinite life

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

Expected credit loss (ECL) measurement

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

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

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

2.3.1. Significant accounting estimates (continued)

Expected credit loss (ECL) measurement (continued)

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

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

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

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

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

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

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

2.3.1. Significant accounting estimates (continued)

Expected credit loss (ECL) measurement (continued)

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

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

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

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

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

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

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

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

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

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

2.3.1. Significant accounting estimates (continued)

Revenue recognition

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

- value adjustment of contract asset due to early contract termination in range of 3%-10% (2022: 3%-10%) and penalty fee collection in range of 52%-88% (2022: 52%-81%), depending on portfolio / customer group
- value adjustment of contract asset due to non-payment (relation with IFRS 9) in range of 0.1%-3% (2022: 0.1%-3%), depending on portfolio / customer group
- handset budget is not used evenly during contract duration, which is mostly 24 months, so linear usage within 12 months after contract inception is approximation of the uneven usage for large and medium customer segment and non-linear 3 months usage after contract inception is approximation for very small enterprises (VSE customer segment)
- costs which are directly attributable to acquisition of a new contract are amortized over average customer retention period. Customer retention period is calculated per core services based on historical data.

Assets Classified as Held for Sale

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

2.4. Significant accounting policies

a) Operating profit

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

b) Business Combinations and Goodwill

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

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

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

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

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

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

2.4. Significant accounting policies (continued)

b) Business Combinations and Goodwill (continued)

Purchases of subsidiaries from parties under common control

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

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

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

c) Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are measured at cost less any impairment in value.

Mergers of subsidiaries under common control

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

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

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

d) Investment in joint venture

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

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

2.4. Significant accounting policies (continued)

d) Investment in joint venture (continued)

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

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

e) Intangible assets

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

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

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

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

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

Useful lives of intangible assets are as follows:

Licences and rights	
Radio frequency spectrum in 2100 MHz frequency band	15 years
Radio frequency spectrum in 700 MHz/3600 MHz/ 26 GHz frequency bands	15 years
Radio frequency spectrum in 800 MHz frequency band	11-12 years
Radio frequency spectrum in 900/1800 MHz frequency band	10-13 years
Radio frequency spectrum in 2600 MHz frequency band	6 years
Radio frequency spectrum for digital television multiplexes	10 years
5G spectrum licence	15 years

2.4. Significant accounting policies (continued)

e) Intangible assets (continued)

Software, content and other assets	2-8 years or as per contract duration
Customer relationship	6.5–10.5 years
Brand	Indefinite
HAKOM licence	Indefinite
Long-term customer contracts	1.5-7 years

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

Goodwill arises on the acquisition of subsidiaries. For impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operative segment before aggregation.
Goodwill, intangible assets with indefinite useful lives and intangible assets under construction are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount, based on value in use calculations, of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December. Please see Note 15 for more details.

f) Property, plant and equipment

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

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

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

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

2.4. Significant accounting policies (continued)

f) Property, plant and equipment (continued)

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.

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

g) Impairment of non-financial assets

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

h) Inventories

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

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

2.4. Significant accounting policies (continued)

i) Government grants

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

j) Investment property

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

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

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

k) Assets Classified as Held for Sale

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

2.4. Significant accounting policies (continued)

l) Financial assets

All assets are classified and measured as described below:

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

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

Debt instruments

For the measurement of debt instruments, it is important which business model applies to each debt instrument. If the business model is only „held to collect" contractual cashflows (principal + interest) without intention to sell, debt instruments are measured at amortized cost.

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

2.4. Significant accounting policies (continued)

l) Financial assets (continued)

Equity instruments

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

m) Foreign currencies

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

n) Taxation

The income tax charge is based on profit for the year and includes deferred taxes. Deferred taxes are calculated using the balance sheet liability method.
Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes at the reporting date.
Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the financial statement date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would arise from the manner in which the Company and Group expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and Group and it is probable that the temporary difference will not reverse in the foreseeable future.
Generally, the Company and Group are unable to control the reversal of the temporary difference for associates.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4. Significant accounting policies (continued)

n) Taxation (continued)

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.
Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities in the statement of financial position. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

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

o) Employee benefit obligations

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

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

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

2.4. Significant accounting policies (continued)

p) Revenue recognition

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

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

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

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

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

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

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

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

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

2.4. Significant accounting policies (continued)

p) Revenue recognition (continued)

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

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

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

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

IFRS 15 Standard has impact, on following business events:

Multiple element arrangements – in case of multiple-element arrangements (e.g. mobile contract plus handset) with subsidised products delivered in advance, the transaction price is allocated to the performance obligations in the contract by reference to their relative standalone selling prices. Standalone selling prices of hardware are determined using price list prices. Standalone selling price of service includes additional discount to customers for not buying devices at discounted prices (if such discounts are part of marketing offer). As a result, a larger portion of the total consideration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue which results in higher revenue from the sale of goods and merchandise and lower revenue from provision of service (mobile communication service). This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is amortized over the remaining term of the contract. Contract liabilities are netted off against the contract assets on portfolio level.

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

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

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

2.4. Significant accounting policies (continued)

p) Revenue recognition (continued)

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

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

q) Cash and cash equivalents

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

r) Provisions

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

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

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

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

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

2.4. Significant accounting policies (continued)

r) Provisions (continued)

Asset retirement obligation

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

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

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

The Group and the Company reconsider these provisions every year.

s) Contingencies

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

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

t) Share-based payments

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

u) Events after reporting period

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

v) Trade payables

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

2.4. Significant accounting policies (continued)

w) Dividend distribution

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

x) Earnings per share

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

y) Contributed equity

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

z) Right-of-use assets

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

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

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

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

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

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

2.4. Significant accounting policies (continued)

z) Right-of-use assets (continued)

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

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

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

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

aa) Lease liabilities

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

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

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

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

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

bb) Finance lease

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

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

- fixed payments, less any lease incentives payable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,

2.4. Significant accounting policies (continued)

bb) Finance lease (continued)

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

3 Changes in Group structure

Merger of HT Production d.o.o.

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

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

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

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

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

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

Control over OPTIMA

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

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

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

4 Segment information

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

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

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

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

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

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

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

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

4 Segment information (continued)

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

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

EUR thousand Year ended 31 December 2022	Residential	Business	Other	Crnogorski Telekom consolidated	Total
Mobile service revenue	*219,802*	*104,783*	*-*	*35,154*	*359,739*
Mobile non service revenue	*72,494*	*46,477*	*19,378*	*9,970*	*148,319*
Fixed service revenue	*213,999*	*80,606*	*-*	*24,488*	*319,093*
Fixed non service revenue	*3,168*	*62,712*	*7,316*	*6,080*	*79,276*
System solutions revenue	*-*	*73,696*	*-*	*3,381*	*77,077*
Net revenue	**509,463**	**368,274**	**26,694**	**79,073**	**983,504**
Other operating income	-	-	-	-	*14,164*
Operating expenses	-	-	-	-	*(587,641)*
Depreciation and amortization	-	-	-	-	*(263,702)*
Impairment of non current assets	-	-	-	-	*(20,719)*
Operating profit	**-**	**-**	**-**	**-**	**125,606**
Finance income (cost) net	-	-	-	-	*(8,212)*
Profit before income tax	**-**	**-**	**-**	**-**	**117,394**

4 Segment information (continued)

Revenue by geographical area

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

The majority of the Group's and the Company's assets are located in Croatia.

None of the Group's and the Company's external customers represent a significant source of revenue.

Revenue by category

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

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

5 Other operating income

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

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

6 Merchandise, material and energy expenses

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

7 Service expenses

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

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

8 Depreciation, amortization and impairment of non-current assets

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

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

9 Employee benefits expenses

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

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

10 Other expenses

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

11 Finance income

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

12 Finance cost

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

13 Income tax expense

a) Tax on profit

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

13 Income tax expense (continued)

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

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

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

13 Income tax expense (continued)

Group

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

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

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

13 Income tax expense (continued)

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

Company

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

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

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. Out of total deferred tax assets, current portion amounts to EUR 10,655 thousand for Group and EUR 10,501 thousand for Company.

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

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

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

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

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

Global Minimum Taxation

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

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

13 Income tax expense (continued)

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

14 Earnings per share

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

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

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

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

15 Intangible assets

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

15 Intangible assets (continued)

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

15 Intangible assets (continued)

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

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

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

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

Additions of intangible assets

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

Impairment testing of goodwill

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

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

15 Intangible assets (continued)

Impairment testing of goodwill (continued)

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

	Crnogorski Telekom		Residential		Business	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Growth rate	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	10.53%	10.42%	8.04%	10.75%	8.04%	10.75%
Sales growth rate	0.8%	0.7%	2.5%	1.6%	0.8%	0.6%
Budgeted EBITDA margin	46.9%	48.1%	59.9%	66.9%	47.7%	48.2%
Average annual capital expenditure (EUR thousand)	20,827	19,073	125,558	134,539	71,913	69,836

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

Crnogorski Telekom CGU

The recoverable amount of the Crnogorski Telekom CGU as of 31 December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the management covering a five-year period. Parameters beyond the five-year period are extrapolated using a 0.8% sales growth rate (2022: 0.7%) and 1% compound annual growth rate (2022: 1%). The pre-tax discount rate applied to cash flow projections is 10.53% (2022: 10.42%). Forementioned growth rates are based on compound annual growth rates in telecommunications industry and average rates derived from actual results in previous years. The management has also taken into consideration the recent negative impact and uncertainties caused by war in Ukraine, strong inflationary pressures and negative impact on available income of the consumers and economic activities as well as the overall economic situation in Crna Gora. As a result of this analysis, management has not recognised an impairment charge in the current year.

15 Intangible assets (continued)

Impairment testing of goodwill (continued)

Residential CGU

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

Business CGU

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

Impairment testing of brand

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

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

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

16 Property, plant and equipment

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

16 Property, plant and equipment (continued)

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

16 Property, plant and equipment (continued)

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

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

Assets under construction

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

Impairment loss

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

Disposal of property, plant and equipment

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

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

Ownership over ducts

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

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

17 Right-of-use assets and lease liabilities

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

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

Group

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

The Group recognised lease liabilities as follows:

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

17 Right-of-use assets and lease liabilities (continued)

Company

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

The Company recognized lease liabilities as follows:

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

The movement of lease liabilities is disclosed in Note 43.

Interest expense included in finance costs of 2023 was EUR 4,457 thousand (2022: EUR 4,254 thousand) for the Group and EUR 3,752 thousand (2022: EUR 3,340 thousand) for the Company.
Total cash outflow for leases in 2023 for the Group was EUR 45,568 thousand plus interest expense EUR 4,457 thousand (2022: EUR 42,127 thousand plus interest expense EUR 4,254 thousand).

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

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

18 Investments in subsidiaries

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

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

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

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

19 Investments accounted for using the equity method

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

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

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

Investment in joint venture:

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

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

In 2023 and 2022, HT did not receive any dividend from JP HT d.d. Mostar.

The Company started the sale process during 2022 with the preparation of a valuation. As a result of valuation, investment in JP HT d.d. Mostar was impaired in the amount of EUR 18,801 thousand. As at 31 December 2022, the amount of investment of EUR 31,561 thousand is classified as assets held for sale (Note 24).

19 Investments accounted for using the equity method (continued)

Summarised financial information for investments accounted for using the equity method is as follows:

Summarised statement of financial position:	31 December 2023 EUR thousand Estimated	31 December 2022 EUR thousand Actual
Joint venture JP HT d.d. Mostar:		
Current		
Cash and cash equivalents	14,638	24,967
Other current assets	52,730	43,690
Total current assets	**67,368**	**68,657**
Financial liabilities	2,464	91
Other current liabilities	27,104	31,955
Total current liabilities	**29,568**	**32,046**
Non-current assets	**143,872**	**143,429**
Financial liabilities	10,769	791
Other liabilities	155	8,648
Total non-current liabilities	**10,924**	**9,439**
Net assets	**170,748**	**170,601**

19 Investments accounted for using the equity method (continued)

Summarised statement of comprehensive income:	2023 EUR thousand Estimated	2022 EUR thousand Actual
Joint venture JP HT d.d. Mostar:		
Revenue	107,628	103,562
Depreciation and amortisation	(26,871)	(25,964)
Interest income	669	87
Interest expense	(678)	(1,113)
Pre-tax (loss)/profit	275	378
Income tax expense	(128)	(35)
Net income	147	343
Dividends received	-	-

Reconciliation of summarised financial information	31 December 2023 EUR thousand Estimated	31 December 2022 EUR thousand Actual
Joint venture JP HT d.d. Mostar		
Opening net assets 1 January	-	170,153
Profit for the period	-	343
Foreign currency translation	-	105
Closing net assets	-	170,601
Interest in joint venture 39.10%	-	66,705
Foreign currency translation	-	(416)
Impairment	-	(34,728)
Carrying value	-	31,561
Reclassification to asset classified as held for sale	-	(31,561)

20 Investments accounted for using the cost method

Investments accounted for using the equity method in Group refer to investment in JP HT d.d. Mostar (Note 19), while in Company the same investment is classified as investment accounted for using the cost method in 2022. In 2023. for both Group and Company investment in JP HT d.d. Mostar is classified as assets held for sale (Note 24).

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

	31 December 2023 EUR thousand	31 December 2022 EUR thousand
Joint venture:		
JP HT d.d. Mostar	-	44,349
Impairment of investment	-	(12,649)
Reclassification to assets held for sale	-	(31,700)
	-	**-**

The Company started the sale process during 2022 with the preparation of a valuation. As a result of valuation, investment in JP HT d.d. Mostar was impaired in the amount of EUR 12,649 thousand. As at 31 December 2022, the amount of investment of EUR 31,700 thousand is classified as assets held for sale (Note 24).

21 Financial asset at fair value through other comprehensive income

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

		Group		Company	
Issuer	*Currency*	31 December 2023	31 December 2022	31 December 2023	31 December 2022
EUR thousand					
International bonds:					
Fortenova Group TopCo B.V., Amsterdam	EUR	766	766	766	766
Equity instruments		144	419	69	342
Total non-current financial assets		**910**	**1,185**	**835**	**1,108**

22 Financial asset at amortised cost

Financial assets at amortised cost include the following:

				Group		Company	
Issuer	*Credit rating*	*Currency*	*Maturity*	31 December 2023	31 December 2022	31 December 2023	31 December 2022
EUR thousand							
Government bonds:							
Republic of Croatia	BBB+	EUR	27 November 2024	19,404	-	19,404	**-**
Total current financial assets				**19,404**	**-**	**19,404**	**-**

23 Inventories

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Inventories and spare parts (at lower of cost and net realisable value)	7,399	5,047	7,374	4,997
Merchandise (at lower of cost and net realisable value)	26,427	29,802	17,594	18,269
	33,826	**34,848**	**24,968**	**23,266**

24 Asset classified as held for sale

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Asset classified as held for sale	31,561	31,561	31,700	31,700
	31,561	**31,561**	**31,700**	**31,700**

Assets classified as held for sale refers to the joint venture JP HT d.d. Mostar which is incorporated in the Federation of Bosnia and Herzegovina. The Group has an ownership share of 39.1%. The principal activity of this company is provision of telecommunication services.

The Company started the sale process during 2022 with the preparation of a valuation. As a result of valuation, investment in JP HT d.d. Mostar was impaired in the amount of EUR 18,801 thousand (the effect of impairment in the Company is EUR 12,649 thousand and total effect in the Group is EUR 18,801 thousand). As at 31 December 2023, the amount of investment of EUR 31,561 thousand in Group and 31,700 EUR thousand in Company is classified as assets held for sale. The management considers the sale process to be finalized within the next twelve months.

Estimated net book value of JP HT d.d. Mostar as at 31 December 2023 is EUR 170,748 thousand (financial information for 2023 represents estimations as JP HT d.d. Mostar did not issue its financial statements up to the date of issuing these consolidated and separate financial statements – Note 19).

25 Trade and other receivables

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Trade receivables	31,832	22,441	28,557	19,212
Loans to employees	6,167	7,095	1,992	1,940
Other receivables	1,103	456	314	374
Non-current financial instruments	39,101	30,082	30,863	21,527
Prepayments to regulator	-	5,007	-	5,007
Total non-current trade and other receivables	39,101	35,089	30,863	26,534
Trade receivables	219,870	189,022	167,817	145,964
Loans to employees	3,671	3,202	1,662	1,580
Other receivables	23,697	7,545	24,460	6,706
Current trade and other receivables	247,238	199,769	193,939	154,250
	286,339	**234,859**	**224,802**	**180,784**

Other receivables mainly refer to receivables from European structural and investment funds for EUBB project (EUR 19,442 thousand).

25 Trade and other receivables (continued)

The aging analysis of current trade receivables and current and non-current contract assets as of 31 December 2023 is as follows:

Group	Total EUR thousand	Current EUR thousand	31-60 days EUR thousand	61-90 days EUR thousand	91-180 days EUR thousand	>180 days EUR thousand
31 December 2023						
Expected credit loss rate		1.69%	8.92%	11.67%	30.38%	76.66%
Gross carrying amount - trade receivables	**332,591**	218,552	3,942	1,290	3,267	105,540
Loss allowance	**(112,721)**	(6,376)	(507)	(252)	(2,269)	(103,317)
Net amount – trade receivables	**219,870**	212,176	3,435	1,038	998	2,222
Gross carrying amount - contract assets	**44,262**	44,262	-	-	-	-
Loss allowance	**(2,945)**	(2,945)	-	-	-	-
Net amount – contract assets	**41,317**	41,317	-	-	-	-

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

	Total EUR thousand	Current EUR thousand	31-60 days EUR thousand	61-90 days EUR thousand	91-180 days EUR thousand	>180 days EUR thousand
31 December 2022						
Expected credit loss rate		2.26%	9.24%	11.61%	31.48%	75.68%
Gross carrying amount - trade receivables	**299,422**	184,663	4,400	1,710	2,368	106,281
Loss allowance	**(110,399)**	(4,774)	(414)	(201)	(956)	(104,055)
Net amount – trade receivables	**189,022**	179,889	3,986	1,510	1,412	2,226
Gross carrying amount - contract assets	**38,289**	38,289	-	-	-	-
Loss allowance	**(2,060)**	(2,060)	-	-	-	-
Net amount – contract assets	**36,229**	36,229	-	-	-	-

25 Trade and other receivables (continued)

The aging analysis of current trade receivables and current and non-current contract assets is as of 31 December 2023 is as follows:

Company	Total	Current	31-60 days	61-90 days	91-180 days	>180 days
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
31 December 2023						
Expected loss rate		0.24%	8.45%	8.45%	34.80%	87.59%
Gross carrying amount - trade receivables	**247,998**	170,626	2,641	661	2,148	71,922
Loss allowance	**(80,181)**	(5,598)	(435)	(170)	2,062	(71,556)
Net amount – trade receivables	**167,817**	164,668	2,206	491	86	367
Gross carrying amount - contract assets	**42,882**	42,882	-	-	-	-
Loss allowance	**(2,893)**	(2,893)	-	-	-	-
Net amount – contract assets	**39,988**	39,988	-	-	-	-

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

	Total	Current	31-60 days	61-90 days	91-180 days	>180 days
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
31 December 2022						
Expected loss rate		2.56%	10.55%	10.55%	45.96%	90.16%
Gross carrying amount - trade receivables	**224,461**	148,504	1,515	776	758	72,908
Loss allowance	**(78,497)**	(4,377)	(329)	(125)	(758)	(72,908)
Net amount – trade receivables	**145,964**	144,127	1,186	651	-	-
Gross carrying amount - contract assets	**37,109**	37,109	-	-	-	-
Loss allowance	**(2,013)**	(2,013)	-	-	-	-
Net amount – contract assets	**35,096**	35,096	-	-	-	-

25 Trade and other receivables (continued)

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

	Group		Company	
EUR thousand	Contract assets	Trade receivables	Contract assets	Trade receivables
As at 1 January 2023	**2,060**	**110,399**	**2,013**	**78,497**
Credit loss allowance in current period	1,730	11,853	1,726	10,181
Financial assets derecognised during the period	-	(1,533)	-	(1,363)
Total credit loss allowance charge in profit and loss for the period	1,730	10,320	1,726	8,818
Write-offs	(845)	(7,998)	(846)	(7,134)
As at 31 December 2023	**2,945**	**112,721**	**2,893**	**80,181**

	Group		Company	
EUR thousand	Contract assets	Trade receivables	Contract assets	Trade receivables
As at 1 January 2022	**1,724**	**112,649**	**1,682**	**81,947**
Credit loss allowance in current period	966	9,552	961	7,547
Financial assets derecognised during the period	-	(2,048)	-	(1,959)
Total credit loss allowance charge in profit and loss for the period	966	7,504	961	5,588
Write-offs	(629)	(9,756)	(629)	(9,038)
As at 31 December 2022	**2,060**	**110,399**	**2,013**	**78,497**

26 Assets and liabilities arising from contracts with customers

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

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current contract asset resulting from				
Equipment and service sales	35,191	30,456	34,160	29,578
Value adjustment	(2,205)	(1,384)	(2,155)	(1,338)
Total current contract asset	**32,986**	**29,072**	**32,006**	**28,340**
Non current contract asset resulting from				
Equipment and service sales	9,070	7,832	8,721	7,531
Value adjustment	(738)	(675)	(738)	(676)
Total non current contract asset	**8,332**	**7,157**	**7,983**	**6,855**
Current capitalized contract cost resulting from				
Cost to obtain a contract	9,375	7,494	7,364	5,751
Cost to fulfil a contract	3,274	2,602	640	780
Total current capitalized contract cost	**12,650**	**10,096**	**8,004**	**6,531**
Non-current capitalized contract cost resulting from				
Cost to obtain a contract	28,569	21,875	23,321	16,824
Cost to fulfil a contract	232	329	152	215
Total non-current capitalized contract cost	**28,891**	**22,204**	**23,473**	**17,039**
Current contract liabilities	12,085	10,368	6,646	4,828
Total current contract liabilities	**12,085**	**10,368**	**6,646**	**4,828**

Increase of contract asset compared to previous year is primarily result of higher value of granted handset budgets in current year compared to previous year.

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

At 31 December 2023 the Group recognised EUR 7,060 thousand (31 December 2022: EUR 8,408 thousand) of revenue that was included in the contract liability balance at the beginning of the period.

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

At 31 December 2023 the Company recognized EUR 4,451 thousand of revenue that was included in the contract liability balance at the beginning of the period (2022: EUR 6,085 thousand).

The Group and the Company have recognized following revenue adjustments from contracts with customers, which was not in line with billed revenue, per following categories:

	Group		Company	
EUR thousand	2023	2022	2023	2022
Sale of goods	24,726	21,797	24,633	21,720
Sale of services	(21,458)	(22,684)	(21,346)	(22,506)
Total Residential Customers	**3,268**	**(887)**	**3,287**	**(786)**
Sale of goods	25,949	21,616	24,631	20,560
Sale of services	(23,455)	(22,398)	(22,355)	(21,658)
Total Business Customers	**2,493**	**(782)**	**2,276**	**(1,098)**

Through our accounts and reporting we distinguish the following:

- Revenues invoiced to customers from our billing systems,
- IFRS 15 timing revenue adjustments on top of billed / invoiced revenue.

This table above relates to the second and adjustments here mainly relate to sold subsidized / discounted HW / granted budgets for sale of goods in current year and reduction of service revenue from current and previous years.

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

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Aggregate amount of the transaction price allocated to long term contracts with customers that are unsatisfied	176,437	150,779	157,896	131,829

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

For the Group, Management expects that 76% (EUR 134,758 thousand) of the transaction price allocated to unsatisfied contracts as at 31 December 2023 will be recognized as revenue during the next reporting period. The remaining 24% (EUR 41,679 thousand) will be recognized in the next 1.5 years.

For the Company, Management expects that 77% (EUR 121,829 thousand) of the transaction price allocated to unsatisfied contracts as at 31 December 2023 will be recognized as revenue during the next reporting period. The remaining 23% (EUR 36,067 thousand) will be recognized in the next 1.5 years.

27 Prepayments

Non current prepayments	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Advances towards third parties	28,155	24,629	24,629	24,629
	28,155	**24,629**	**24,629**	**24,629**

Non-current prepayments in the amount of EUR 28,155 thousand for the Group and EUR 24,629 thousand for the Company are consisted of advances for sports content rights secured by bank guarantees.

Current prepayments	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Prepaid liabilities for concession fees towards regulator	3,775	10,234	3,775	10,235
Advances towards third parties	7,076	10,667	4,387	3,414
	10,851	**20,901**	**8,162**	**13,649**

28 Cash and cash equivalents and bank deposits

a) Cash and cash equivalents

Cash and cash equivalents comprise the following amounts:

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Cash on hand and balances with banks	51,248	241,976	31,912	208,328
Commercial papers (i)	109,572	99,572	109,572	99,572
Reverse repurchase agreement (ii)	-	30,000	-	30,000
Time deposits with maturity less than 3 months (iii)	72,258	1,875	49,358	1,875
	233,078	**373,422**	**190,842**	**339,775**

(i) Refers to two (2) commercial papers of the issuer Deutsche Telekom, with maturity under 3 months and with average interest rate of 3.84%

(ii) At 31 December 2022 HT has deposited an amount of EUR 30,000 thousand via reverse repurchase agreement of Croatian government bonds CROATIA 1,75% 03/04/41 (ISIN: XS2309433899) which matured in 2023.

(iii) Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents were also assessed regarding ECL with immaterial effects.

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

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
EUR	230,845	367,478	190,145	337,180
GBP	149	176	79	175
USD	643	3,013	617	2,420
BAM	1,382	2,530	-	-
RSD	58	225	-	-
	233,078	**373,422**	**190,842**	**339,775**

Considering the introduction of the euro as the official currency in the Republic of Croatia from 1 January 2023, and the different treatment of the euro as a currency in the previous year, the Group and the Company have reclassified the amounts within the note lines as of 31 December 2022 to make the data comparable. This did not affect the total amount of cash and cash equivalents in 2022.

28 Cash and cash equivalents and bank deposits (continued)

c) Bank deposits over 3 months

Group	Current		Non-current	
	31 December	31 December	31 December	31 December
EUR thousand	2023	2022	2023	2022
Foreign bank (guarantee deposits)	-	3,500	-	-
Foreign bank (bank deposits)	10,000	10,000	-	-
	10,000	**13,500**	**-**	**-**

On 31 December 2022 and 31 December 2023, Hrvatski Telekom did not have any bank deposits.

29 Trade payables and other liabilities

	Group		Company	
	31 December	31 December	31 December	31 December
EUR thousand	2023	2022	2023	2022
Content contracts	1,694	4,973	993	69
Licence for radio frequency spectrum	7,197	11,048	5,919	11,048
Other	568	481	426	464
Non-current	9,459	16,502	7,338	11,581
Trade payables	180,451	140,955	145,025	109,401
Content contracts	20,566	14,399	15,506	12,481
VAT and other taxes payable	7,034	3,876	4,735	643
Payroll and payroll taxes	9,027	8,652	7,474	7,187
Licence for radio frequency spectrum	281	-	-	-
Other	8,483	5,345	6,398	3,101
Current	225,842	173,227	179,138	132,813
	235,301	**189,729**	**186,476**	**144,394**

30 Employee benefit obligations

In addition to retirement and jubilee benefits, employee benefits include a compensations for the employees regarding Incentive plans such as LTI (Long Term Incentive) and Game Changer described in Note 45.

Other short term liabilities to employees are disclosed and described in Note 32.

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

	Group		Company	
EUR thousand	2023	2022	2023	2022
As at 1 January	3,863	2,819	3,433	2,486
Incentive plan changes	2,669	1,929	2,579	1,903
Incentive plan paid	(1,414)	(747)	(1,414)	(728)
Incentive plan transfer to other liabilities	(22)	(261)	(9)	(266)
Service costs	210	108	106	106
Interest cost	5	98	5	5
Benefit paid	(66)	(58)	(59)	(39)
Transfer of benefits	-	14	-	-
Actuarial gains	(39)	(39)	(38)	(39)
As at 31 December	**5,207**	**3,863**	**4,603**	**3,408**
Retirement	250	237	234	221
Jubilee awards	424	323	-	-
Incentive plans	4,533	3,303	4,369	3,187
	5,207	**3,863**	**4,603**	**3,408**
Retirement	250	237	234	221
Jubilee awards – non-current	394	309	-	-
Incentive plans– non-current	2,257	1,831	2,097	1,745
Non-current	2,901	2,377	2,331	1,966
Jubilee awards – current	30	14	-	-
Incentive plans – current	2,276	1,472	2,272	1,442
Current	2,306	1,486	2,272	1,442
	5,207	**3,863**	**4,577**	**3,408**

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

	Group		Company	
	2023	2022	2023	2022
Discount rate (annually) in %	3.0	3.0	3.0	3.0

31 Provisions

Group EUR thousand	Legal claims	Assets retirement obligation	Total
As at 1 January 2022	**10,380**	**4,511**	**14,891**
Additions	6,854	228	7,082
Utilisation	(5,069)	-	(5,178)
Net changes	(234)	(108)	(234)
Interest costs	(57)	223	166
As at 1 January 2023	**11,874**	**4,853**	**16,728**
Additions	1,753	-	1,753
Utilisation	(361)	-	(361)
Reversals	(4,655)	(4)	(4,659)
Interest costs	-	299	299
As at 31 December 2023	**8,610**	**5,149**	**13,759**

Company EUR thousand	Legal claims	Assets retirement obligation	Total
As at 1 January 2022	**9,823**	**4,152**	**13,975**
Additions	6,838	173	7,011
Utilisation	(4,953)	(108)	(5,061)
Reversals	(201)	-	(201)
Interest costs	-	223	223
As at 1 January 2023	**11,507**	**4,439**	**15,946**
Additions	1,733	-	1,733
Utilisation	(361)	-	(361)
Reversals	(4,651)	(4)	(4,655)
Interest costs	-	247	247
As at 31 December 2023	**8,227**	**4,682**	**12,910**

Legal claims

As at 31 December 2023, the Group has provided estimated amounts for several legal actions and claims that management has assessed as probable to result in outflow of resources of the Group.

32 Accruals

Group EUR thousand	Variable salary	Redundancy	Unused vacation	Total
As at 1 January 2022	**8,418**	**3,219**	**755**	**12,393**
Additions	15,794	7,152	582	23,527
Utilisation	(14,498)	(6,856)	149	(21,206)
Reversal	(618)	-	(10)	(627)
As at 1 January 2023	**9,096**	**3,514**	**1,476**	**14,087**
Additions	17,082	8,181	18	25,281
Utilisation	(15,628)	(7,150)	-	(22,779)
Reversal	-	-	(140)	(140)
As at 31 December 2023	**10,550**	**4,545**	**1,354**	**16,449**

Company EUR thousand	Variable salary	Redundancy	Unused vacation	Total
As at 1 January 2022	**6,865**	**3,219**	**621**	**10,705**
Additions	13,362	7,152	-	20,514
Utilisation	(12,079)	(6,865)	-	(18,787)
Reversal	(618)	-	149	(618)
As at 1 January 2023	**7,530**	**3,514**	**770**	**11,815**
Additions	14,125	7,616	-	21,741
Utilisation	(13,068)	(6,634)	-	19,702
Reversal	-	-	(97)	(97)
As at 31 December 2023	**8,587**	**4,497**	**673**	**13,757**

Redundancy

Redundancy expenses and accruals include the amount of gross severance payments and other related costs for employees whose employment contracts are terminated during 2023.

33 Issued share capital

As of 31 December 2023, the share capital of the Company totalled EUR 1,359,742 thousand (31 December 2022: EUR 1,359,742 thousand). The share capital is divided into 78,775,842 no par value registered shares (31 December 2022: 78,775,842).

34 Legal reserves

Legal reserves represent reserves prescribed by the Company Act in the amount of 5% of the net profit for the year, until these reserves amount to 5% of the issued share capital. These reserves are not distributable.

35 Cash flow hedge

The Company applies hedge accounting to hedged items in the statement of financial position and future cash flows, thus reducing income statement volatility. The hedged item is represented by the forecasted energy consumption of HT for the period beginning from 1 October 2024 until 30 September 2034.

Hedging relationships are exclusively accounted for in accordance with the requirements of IFRS (IFRS 9).

To hedge against variability in electricity prices, Croatian Telekom concluded on 25th May 2023 a cash flow hedge transaction in the form of a virtual Power Purchase Agreement (vPPA).

vPPA is concluded for future energy consumption for the period beginning from 1st October 2024 until 30th September 2034 and is expected to cover part of Company's energy consumption.

As of December 31, 2023, the fair value of the liability is EUR 172 thousand. Any future increase or decrease in fair value will be reported in the position of capital and long-term financial assets or liabilities, depending on the amount of the instrument's valuation.

Sensitivity analysis:

Overview of FV Sensitivities of the Hedging Instrument

		Price of electricity	
Valuation date 31.12.2023	Base Case	Price +10 %	Price -10%
Fair Value (thousand EUR)	(171.55)	4,284.57	(4,631.33)

36 Treasury shares

In 2017, the Company started with acquisition of own shares due to introduction of share buy-back program which lasted until 20 April 2021. Within this program total of 1,853,528 shares are bought from the introduction of share buy-back program.

On 28 April 2021, Management Board launched a new Treasury Share Buyback Program with commencement as of 29 April 2021 and lasting until 22 April 2026. Under this Program the Company continuously performs acquisition of shares in order to act in line with the purpose of the Program which is to withdraw shares without a nominal value without reducing the share capital. In 2023, a total of 808,252 shares were bought and 775,842 shares were cancelled in January 2024.

36 Treasury shares (continued)

The Company holds 811,054 own shares as at 31 December 2023 (31 December 2022: 19,952).

In 2023 Crnogorski Telekom has also carried out purchase of own shares. Total of 687,000 shares were bought in 2023 but none were cancelled.

Reserve for purchased own shares of Company amounts to EUR 21,226 thousand as of 31 December 2023 (31 December 2022: EUR 472 thousand) and is not distributable. Crnogorski Telekom does not create reserve for purchased own shares.

37 Retained earnings

In 2023, General Assembly of the Company has brought the decision regarding the dividend pay-out. Under that decision, EUR 86,464 thousand (2022: EUR 83,649 thousand) or EUR 1.10 per share were paid out to shareholders (2022: EUR 1.06). Dividend was distributed from net profit in 2022.

38 Commitments

Capital commitments

The Group and the Company were committed under contractual agreements to capital expenditure as follows:

	Group		Company	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Intangible assets	85,195	94,288	83,262	91,805
Property, plant and equipment	102,248	125,019	100,980	123,748
	187,443	**219,307**	**184,242**	**215,553**

Future payments regarding short-term leases are EUR 2,023 thousand (31 December 2022 EUR 2,352 thousand) for the Group and EUR 1,697 thousand (31 December 2022 EUR 1,808 thousand) for the Company (Note 10).

Off-balance sheet bank guarantees amount to EUR 11,012 thousand (31 December 2022 EUR 4,833 thousand) for the Company and EUR 17,095 thousand (31 December 2022 EUR 9,080 thousand) for the Group at 31 December 2023.

39 Contingencies

At the time of preparation of these consolidated and separate financial statements, there are outstanding claims against the Group. In the opinion of the management, the settlement of these cases will not have a material adverse effect on the financial position of the Group, except for certain claims for which a provision was established (Note 31).

The Group vigorously defends all of its legal claims and potential claims, including regulatory matters, third party claims and employee lawsuits.

Ownership claim of Distributive Telecommunication Infrastructure (DTI) by the City of Zagreb

In September 2008, the Group received a lawsuit filed by the Zagreb Holding Ltd. branch Zagreb Digital City ("ZHZDG") against the Group. ZHZDG is claiming the ownership of the City of Zagreb over DTI on the area of the City of Zagreb and demanding a payment of fee for usage of DTI system in the range of up to EUR 51,762 thousand plus interest.

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

In December 2012, the Group received the partial interlocutory judgement and partial judgement by which it was determined that the HT is obliged to pay to ZHZDG the fee for usage of the DTI system, and that until the legal validity of this partial interlocutory judgment, litigation will be stopped regarding the amount of the claim. Furthermore, the claim was rejected in the part concerning the establishment of the ownership of the City of Zagreb over DTI and other communal infrastructure for laying telecommunication installations on the area of the City of Zagreb for the purpose of communication-information systems and services. The Group appealed against this judgment.

39 Contingencies (continued)

Ownership claim of Distributive Telecommunication Infrastructure (DTI) by the City of Zagreb (continued)

In August 2015 the second instance County Court of Varaždin accepted the HT's remedy and returned the case back to the first instance court proceeding.

As to avoid statute of limitation, the plaintiff has raised its claim in June 2016, 2017 and 2018, for the additional amount of EUR 11,945 thousand each year respectively. Therefore, the claim now amounts altogether EUR 87,597 thousand, plus interest.

Subscriber lawsuits

7 residential subscribers initiated in 2003 against Republic of Croatia as first defendant and HT as second defendant a dispute, in which the Municipal Civil Court in Zagreb passed in a retrial in 2021 first-instance decision by which: (i) the contractual provisions of the Concession Agreement for the Provision of Public Voice Services in the Fixed Network concluded between Republic of Croatia and HT in 1999, as amended in 2001 (Concession Agreement), has been determined as void in the part concerning monthly access charge and 1 minute billing interval; and (ii) ordered a payment in the amount of EUR 122 per claimant plus interest.

In 2022 the County Court of Zagreb confirmed the first instance judgement by which HT was finally obliged to such payment. HT filed against final court decision a proposal to submit revision before the Supreme Court of the Republic of Croatia, as well as the constitutional claim before the Constitutional Court of the Republic of Croatia, with the arguments that it was charging its residential subscribers in accordance with the Concession Agreement, as well as other applicable laws and regulations.

Apart from the 7 mentioned plaintiffs in the above described procedure, there are 5 more plaintiffs who initiated litigation against Republic of Croatia as first defendant and HT as second defendant with the same claim. These procedures are pending.

There is a possibility of additional claims that could be initiated against HT on the same factual and legal ground.

Pending regulatory misdemeanour proceedings

In 2020 the Croatian Regulatory Authority for Network Industries (HAKOM) initiated misdemeanour proceeding against HT in connection with possible breach of imposed regulatory obligations in 2018. In 2023, due to the statute of limitations, the court issued a decision suspending this misdemeanour proceeding.

In 2023 the Croatian Regulatory Authority for Network Industries (HAKOM) initiated two new misdemeanour proceedings against HT in connection with possible breach of imposed regulatory obligations during 2020 and 2021. For such misdemeanour Electronic Communications Act prescribes a penalty in the amount of 1%-10% of a yearly gross turnover achieved in the year in which the misdemeanour was committed and for which concluded financial reports exist, respectively according to the latest available concluded financial reports. Both proceedings are ongoing.

40 Balances and transactions with related parties

The transactions disclosed below primarily relate to transactions with the companies owned by DTAG. The Group enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies during 2023 and 2022.

The main transactions with related parties during 2023 and 2022 were as follows:

	Group				Company			
EUR thousand	2023	2022	2023	2022	2023	2022	2023	2022
Related party:	Revenue		Expense		Revenue		Expense	
Ultimate parent								
Deutsche Telekom	4,712	5,692	12,084	11,193	1,112	1,713	6,300	6,287
Joint venture								
JP HT d.d. Mostar	5,612	3,140	1,545	733	765	663	305	367
Subsidiaries of ultimate parent								
Telekom Deutschland	11,526	11,245	11,398	11,681	11,416	11,245	11,351	11,681
T-Mobile Austria	2,494	2,129	1,678	1,520	2,489	2,123	1,673	1,511
Slovak Telecom	1,434	1,867	134	407	1,304	1,854	134	406
Magyar Telekom	1,874	1,614	393	671	1,568	1,468	306	555
Deutsche Telekom Cloud Services	1,076	145	-	-	884	90	-	-
T-Mobile Czech	1,785	1,801	165	142	1,782	1,799	165	140
Deutsche Telekom UK Limited	1,274	957	156	121	1,272	956	156	121
T-Mobile Polska	812	751	410	367	806	751	403	367
DT Europe Holding	-	-	180	255	-	-		250
T-Systems International	620	218	5,037	2,393	620	218	4,918	2,270
Makedonski Telekom	285	163	13	-	39	66	13	12
Hellenic Telecommunications Organization	-	-	57	771	-	-	48	736
Deutsche Telekom Services Europe SE	-	-	657	742	-	-	646	742
Others	446	395	405	317	377	318	535	267
	33,950	**30,117**	**34,312**	**31,313**	**24,434**	**23,264**	**26,953**	**25,712**

The transactions with DTAG disclosed above primarily relate to Licence Agreement and Frame agreement which covers all mutual needs for services provided by the companies in DT group in telecom industry. The transactions with JP HT d.d. Mostar relate to international settlement of telecommunications services.

40 Balances and transactions with related parties (continued)

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

Group	Receivables		Payables	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Related party:				
Ultimate parent				
Deutsche Telekom	37	147	5,404	9,048
Joint venture				
JP HT d.d. Mostar	1,674	405	-	-
Subsidiaries of ultimate parent				
T-Systems International	-	-	5,436	1,741
Deutsche Telekom Cloud Services	238	375	-	-
Makedonski Telekom	443	208	-	-
Magyar Telekom.	307	104	212	170
Telekom Deutschland	30	58	7,085	10,434
Deutsche Telekom UK Limited	-	-	634	492
Slovak Telecom	179	159	-	-
Cosmote	43	26	4	16
Others	17	8	741	1,091
	2,968	**1,490**	**19,646**	**22,992**

Company	Receivables		Payables	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Related party:				
Ultimate parent				
Deutsche Telekom	-	-	4,560	8,045
Joint venture				
JP HT d.d. Mostar	85	35	-	-
Subsidiaries of ultimate parent				
Telekom Deutschland	30	23	7,085	10,408
Makedonski Telekom	46	66	-	-
Deutsche Telekom Cloud Services	74	336	-	-
T-Mobile Polska	-	-	40	289
Magyar Telekom	93	54	-	-
Deutsche Telekom UK Limited	-	-	630	492
Slovak Telecom	179	159	-	-
T-Systems International	-	-	5,278	1,561
Others	9	8	589	732
	516	**681**	**18,182**	**21,528**

40 Balances and transactions with related parties (continued)

At the year end the Group and the Company hold investment in commercial paper of ultimate parent in the amount of EUR 109,572 thousand (31 December 2022: EUR 99,718 thousand) (Note 28).

The Federal Republic of Germany is both a direct and an indirect shareholder and holds 30.4 % of the share capital of DTAG. Due to the average attendance at the shareholders' meetings, the Federal Republic of Germany represents a solid majority at the shareholders' meetings of DTAG, although it only has a minority shareholding, making DTAG a dependant company of the Federal Republic of Germany. Therefore, the Federal Republic of Germany and the companies controlled by the Federal Republic of Germany or companies over which the Federal Republic of Germany can exercise a significant influence are classified as related parties of DTAG, and consequently of the Group as well.

The Group did not execute as part of its normal business activities any transactions that were individually material in the 2023 or 2022 financial year with companies controlled by the Federal Republic of Germany or companies over which the Federal Republic of Germany can exercise a significant influence.

In 2023, the Company granted short term loans to Combis d.o.o. in amount of EUR 27,000 thousand (31 December 2022: EUR 5,309 thousand to Iskon Internet d.d. and EUR 11,945 thousand to Combis d.o.o.).

Interest rate for given loans amounts 5.4%.

The Company had the following transactions and balances with its subsidiaries excluding loans in the amount of EUR 3,010 thousand (31 December 2022: EUR 1,995 thousand):

	Revenues	Capital expenditures	Expenses	Receivables	Payables
Subsidiaries:	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
2023 / 31 December 2023	20,893	15,807	6,424	30,191	8,680
2022 / 31 December 2022	21,145	21,281	6,345	25,301	9,405

40 Balances and transactions with related parties (continued)

Compensation of the members Supervisory Board

The chairman of the Supervisory Board receives remuneration in the amount of 1.5 times of the average net salary of the employees of the Company paid in the preceding month. To the deputy chairman, the amount of 1.25 of the average net salary of the employees of the Company paid in the preceding month is paid, while any other member receives the amount of one average net salary of the employees of the Company paid in the preceding month. To a member of the Supervisory Board, who is at the same time the Chairman of the Audit Committee of the Supervisory Board, in the amount of 1.5 of the average monthly net salary of the employees of the Company paid in the preceding month. A member of the Supervisory Board, who is also a member of one board or committee of the Supervisory Board, receives a remuneration in the amount of 1.25 of the average monthly net salary of the Company's employees paid in the previous month. A member of the Supervisory Board who is simultaneously a member of two or more committees of the Supervisory Board receives a remuneration in the amount of 1.5 of the average net salary of the Company's employees paid in the previous month.

DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In 2023, the Group paid a total amount of EUR 129 thousand (2022: EUR 123 thousand) to the members of its Supervisory Board and the Company paid a total amount of EUR 108 thousand (2022: EUR 105 thousand) to the members of its Supervisory Board. No loans were granted to the members of the Supervisory Board.

Compensation to key management personnel

In 2023, the total compensation paid to key management personnel of the Group amounted to EUR 7,725 thousand (2022: EUR 6,588 thousand) and to key management personnel of the Company amounted to EUR 6,019 thousand (2022: EUR 5,160 thousand). Key management personnel include members of the Management Boards of the Company and its subsidiaries and the Company’s directors of Sector, who are employed by the Group and Company.

Compensation paid to key management personnel includes:

	Group		Company	
EUR thousand	2023	2022	2023	2022
Short-term benefits	7,725	6,588	6,019	5,160
	7,725	**6,588**	**6,019**	**5,160**

In 2023, the total cost of pension contribution of the Group is EUR 800 thousand (2022: EUR 731 thousand) and of the Company is EUR 557 thousand (2022: EUR 472 thousand).

41 Financial risk management objectives and policies

The Group and the Company are exposed to international service-based markets. As a result, the Group and Company can be affected by changes in foreign exchange rates. The Group and Company also extend credit terms to its customers and is exposed to a risk of default. The significant risks, together with the methods used to manage these risks, are described below. The Group or Company does not use derivative instruments either to manage risk or for speculative purposes.

a) Credit risk

The Group or Company have no significant concentration of credit risk with any single counter party or group of counterparties with similar characteristics. The Group and Company's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

The Group or Company do not guarantee obligations of other parties.

The Group and Company consider that its maximum exposure is reflected by the value of debtors (Note 25) net of provisions for impairment recognized at the statement of financial position date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed (Note 25). Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. If receivables are uncollectible, and all legal procedures have been completed and the final amount of loss is known, the receivables are written off directly. If in the next period the amount of the credit loss is reduced, and the decrease can be directly related to an event that occurred after the write-off, previously recognized loss is discharged through profit or loss.

To account for expected credit losses, macroeconomic and external data is analysed – inflation rates, consumer credit interest rates, GDP per capita, unemployment and employment rates and consumer price index change. These data are put in correlation with historical HT customer payment behaviour in order to see possible change of credit risk percentages applied.

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

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

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

Detailed Expected credit loss (ECL) measurement and approach is explained in Note 2.3.

Additionally, the Group and Company are exposed to risk through cash deposits in the banks, as well as bonds and commercial papers. As at 31 December 2023, the Group had business transactions with thirty-two banks (2022: thirty-four banks) while Company had business with eight banks (2022: eight banks). The Group held cash and deposits in three banks almost exclusively. For one domestic bank with foreign ownership, the Group received guarantee for deposits placed from parent bank which has a minimum rating of BBB+ and acceptable Credit Default Swap level ("CDS"). The management of this risk is focused on dealing with the most reputable banks in foreign and domestic ownership in the domestic and foreign markets and on contacts with the banks on a daily basis.

The Group and Company apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past

41 Financial risk management objectives and policies (continued)

a) Credit risk (continued)

due. The contract assets relate the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group and Company have identified the GDP and the unemployment rate in the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Deposited amounts in banks are money on current account and deposits under 3 months which are collected at maturity. That is why it is classified as hold to collect according to IFRS 9 and according to that measurement is classified as financial assets at amortized cost. Credit risk is measured using the general approach. Impairment losses are recognized on the basis of individual impairment. Group and Company use the daily CDS-level which covers insurance for a period of five years. A CDS with an insurance of five years has the highest market liquidity and was therefore chosen as a reference. The CDS-level reacts immediately if a default risk increases - independently if an insurance with a period of three years or five years has been chosen. For the risk measure of banks and partners which don't provide adequate bank guarantee with acceptable CDS level or don't have their own adequate rating, Group and the Company took the CDS indicator of Croatia, which on 31 December 2023 amounted to 0.85%.

Credit risk amount calculated using the formula: deposit amount * number of days * 0.85% / 365. For a vista deposits the Group uses 2 days.

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

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	EUR thousand	EUR thousand	EUR thousand	EUR thousand
Trade receivables for merchandise sold	31,832	22,441	28,557	19,212
Prepayments to regulator	-	5,007	-	5,007
Loans to employees	6,167	7,095	1,992	1,940
Other receivables	1,103	546	314	2,374
	39,101	**35,089**	**30,863**	**26,533**

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

The credit quality of all other financial assets (Note 42) implies the total carrying amount as at the balance sheet date is considered.

41 Financial risk management objectives and policies (continued)

b) Liquidity risk

The Group and Company's policy is to maintain sufficient cash and cash equivalents or to have available funding through an adequate amount of committed credit facilities to meet its commitments for the foreseeable future. Any excess cash is invested mostly in short-term financial assets that are valued at fair value through other comprehensive income.

The amounts of financial liabilities disclosed in the tables are the contractual undiscounted cash flows. The amounts of financial assets disclosed in the tables are the discounted cash flows (book values).

Group – Financial liabilities

31 December 2023	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**	**Book value**
EUR thousand						
Trade and other payables	184,529	-	426	-	**184,685**	**184,685**
Licence for radio frequency spectrum	70	932	3,606	4,327	**8,935**	**7,478**
Capitalized content rights	9,805	12,669	2,828	-	**25,302**	**22,260**
Other liabilities	26,013	-	-	-	**26,013**	**26,013**
Lease liabilities	6,656	12,857	37,516	25,944	**82,973**	**66,968**

31 December 2022	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**	**Book value**
EUR thousand						
Trade and other payables	145,552	-	-	-	**145,552**	**145,552**
Licence for radio frequency spectrum	-	849	5,043	8,070	**13,962**	**11,048**
Capitalized content rights	9,703	9,736	1,617	-	**21,056**	**19,372**
Other liabilities	15,794	-	-	-	**15,794**	**15,794**
Lease liabilities	7,398	15,698	33,100	31,093	**87,289**	**70,373**

41 Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Group – Financial assets

31 December 2023	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**
EUR thousand					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	910	-	**910**
Trade receivables (Note 25)	216,649	3,220	31,832	-	**251,701**
Financial asset at amortized cost	-	19,404	-	-	**19,404**

31 December 2022	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**
EUR thousand					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	1,185	-	**1,185**
Trade receivables (Note 25)	185,385	3,637	22,441	-	**211,463**

Company – Financial liabilities

31 December 2023	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**	**Book value**
EUR thousand						
Trade and other payables	148,636	-	-	-	**148,636**	**148,636**
Licence for radio frequency spectrum	-	721	3,606	4,327	**8,654**	**5,919**
Capitalized content rights	8,652	8,164	1,128	-	**17,944**	**16,499**
Other liabilities	17,525	-	-	-	**17,525**	**17,525**
Lease liabilities	5,958	10,884	31,074	25,196	**73,112**	**58,720**

31 December 2022	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**	**Book value**
EUR thousand						
Trade and other payables	113,796	-	-	-	**113,796**	**113,796**
Licence for radio frequency spectrum	-	849	5,043	8,070	**13,962**	**11,048**
Capitalized content rights	6,767	6,135	76	-	**12,978**	**12,550**
Other liabilities	8,505	-	-	-	**8,505**	**8,505**
Lease liabilities	6,422	12,945	29,036	30,352	**78,755**	**62,672**

41 Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Company – Financial assets

31 December 2023	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**
EUR thousand					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	835	-	**835**
Trade receivables (Note 25)	167,365	452	28,557	-	**196,375**
Financial asset at amortized cost	-	19,404	-	-	**19,404**
Loans receivable from subsidiaries (Note 40)	-	3,010	-	-	**3,010**

31 December 2022	Less than 3 months	3-12 months	1-5 years	>5 years	**Total**
EUR thousand					
Financial assets at fair value through other comprehensive income (Note 21)	-	-	1,108	-	**1,108**
Trade receivables (Note 25)	145,964	-	19,212	-	**165,176**
Loans receivable from subsidiaries (Note 40)	-	1,995	-	-	**1,995**

c) Other price risk

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indexes. We use derivative to hedge electricity price (Note 35), not for speculative gains. In the process, we monitor the effectiveness of the hedges on a regular basis.

d) Interest rate risk

The Group's and Company's exposure to the risk of changes in market interest rates relates primarily to the Group's and Company's financial assets at fair value through other comprehensive income and amortized cost, cash, cash equivalents, time deposits and bank borrowings.

The Group or Company are not exposed to variable interest rates.

41 Financial risk management objectives and policies (continued)

e) Foreign currency risk

Considering that Croatia joined the euro area and adopted Euro as an official currency as at 1 January 2023, there is no foreign exchange currency risk to a change in the Euro exchange rate. The fixed official exchange rate is set at 7,53450 HRK per 1 EUR. There is no significant exposure to any other currencies; so, the currency risk is low.

f) Fair value estimation

The fair value of securities included in financial assets at fair value through other comprehensive income is estimated by reference to their quoted market price at the statement of financial position date (Note 42). The Group's and Company's principal financial instruments not carried at fair value are trade receivables, other receivables, non-current receivables, trade and other payables. The historical cost carrying amounts of receivables and payables, including provisions, which are all subject to normal trade credit terms, approximate their fair values.

g) Capital management

The primary objective of the Group's and Company's capital management is to ensure business support and maximise shareholder value. The capital structure of the Group comprises of issued share capital, reserves and retained earnings and totals EUR 1,658,553 thousand as at 31 December 2023 (31 December 2022: EUR 1,634,444 thousand).

The capital structure of the Company comprises issued share capital, reserves and retained earnings and totals EUR 1,670,870 thousand as at 31 December 2023 (31 December 2022: EUR 1,653,015 thousand).

The Group and Company manage its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022 (Notes 33 and 36).

For details about debt structure, please see note 43.

The Group and the Company continuously monitor both capital and net debt as relevant components. Management considers that the amount of capital and the structure of net debt are adequate.

In accordance with the Law on electronic money (Official Gazette No. 64/18, Article 41), the Company as electronic money institution and payment institution is obliged to report regulatory capital in its annual audited financial statements. These disclosures are not required by IFRS and the law does not require the disclosure of comparative information from previous year.

41 Financial risk management objectives and policies (continued)

g) 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 2023

IEN-RK: Section A - Calculation of Regulatory Capital

EUR

No.	Item	Amount
1.	**REGULATORY CAPITAL**	1,212,968,768.15
2.	**EQUITY TIER 1 CAPITAL**	1,212,968,768.15
3.	**COMMON EQUITY TIER 1 CAPITAL**	1,212,968,768.15
4.	Capital instruments	1,359,742,172.00
5.	Share premium	0.00
6.	(-) Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 Capital	-21,226,327.67
7.	Retained earnings or (-) carry back losses	117,966,162.60
8.	Losses for the current fiscal year	0.00
9.	Accumulated other comprehensive income	11,737.04
10.	Other reserves	67,889,447.76
11.	(+)/(–) Adjustments to the Common Equity Tier 1 from prudential filters	0.00
12.	Intangible assets	-293,053,165.62
13.	(-) Deferred tax assets that rely on future profitability and not arise from temporary differences	0.00
14.	(-) Pension fund assets under management	0.00
15.	(-) Reciprocal cross holdings in Common Equity Tier 1	0.00
16.	(-) Deduction from Common Equity Tier 1 items that exceed Additional Tier 1	0.00
17.	(-) Holdings of Common Equity Tier 1 instruments where an institution does not have a significant investment in a financial sector entity	0.00

41 Financial risk management objectives and policies (continued)

g) 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 2023

IEN-RK: Section A - Calculation of Regulatory Capital

EUR

No.	Item	Amount
18.	(-) Deferred tax assets that rely on future profitability and arise from temporary differences	-18,461,257.96
19.	(-) Holdings of Common Equity Tier 1 instruments where an institution has a significant investment in a financial sector entity	0.00
20.	(-) Deduction over treshold (17.65%)	0.00
21.	(-) Deduction from Common Equity Tier 1 items - other	0.00
22.	**ADDITIONAL TIER 1 CAPITAL**	0.00
23.	Capital instruments	0.00
24.	Share premium	0.00
25.	(-) Direct, indirect and synthetic holdings by the institution of Additional Tier 1 Capital	0.00
26.	(-) Reciprocal cross holdings in Additional Tier 1	0.00
27.	(-) Holdings of Additional Tier 1 instruments where an institution does not have a significant investment in a financial sector entity	0.00
28.	(-) Holdings of Additional Tier 1 instruments where an institution has a significant investment in a financial sector entity	0.00
29.	(-) Deduction from Additional Tier 1 items that exceed Tier 2 Capital	0.00
30.	Deduction from Additional Tier 1 items that exceed Additional Tier 1 (deducted from Common Equity Tier 1)	0.00
31.	(-) Deduction from Additional Tier 1 items - other	0.00
32.	**TIER 2 CAPITAL**	0.00
33.	Capital instruments	0.00
34.	Share premium	0.00
35.	(-) Direct, indirect and synthetic holdings by the institution of Tier 2 Capital	0.00

41 Financial risk management objectives and policies (continued)

g) 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 2023

IEN-RK: Section A - Calculation of Regulatory Capital

EUR

No.	Item	Amount
36.	(-) Reciprocal cross holdings in Tier 2	0.00
37.	(-) Holdings of Tier 2 instruments where an institution does not have a significant investment in a financial sector entity	0.00
38.	(-) Holdings of Tier 2 instruments where an institution has a significant investment in a financial sector entity	0.00
39.	Deduction from Tier 2 Capital items that exceed Tier 2 Capital (deducted from Additional Tier 1)	0.00
40.	(-) Deduction from Tier 2 items - other	0.00
41.	**Notes**	0.00
42.	Profit for the year	125,161,197.98

41 Financial risk management objectives and policies (continued)

g) 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 2023

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

Number	Item	Total amount (EUR)	Capital available to calculate the amount of regulatory capital (EUR)	Excess
		1	2	3
1.	Common Equity Tier 1 Capital	1,212,968,768.15	1,212,968,768.15	
2.	Additonal Tier 1 Capital	0.00	0.00	0.00
3.	Equity Tier 1 Capital	1,212,968,768.15	1,212,968,768.15	
4.	Tier 1 Capital	0.00	0.00	0.00
5.	**Regulatory Capital**		1,212,968,768.15	

Minimum required regulatory capital and requirements coverage

MINIMUM REQUIRED REGULATORY CAPITAL FOR ELECTRONIC MONEY INSTITUTIONS - FORM IEN-MRK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2023

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

EUR

Number	Calculation	Amount
1.	Average unused electronic money	146.98
2.	Minimum required regulatory capital for electronic money institutions	2.94

41 Financial risk management objectives and policies (continued)

g) Capital management (continued)

Regulatory capital for payment institutions

REGULATORY CAPITAL FOR PAYMENT INSTITUTIONS - FORM IPP-MRK

Electronic money institution: HRVATSKI TELEKOM d.d.

Personal identification number (OIB): 81793146560

Date: 31 December 2023

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

EUR

Number	Item	Amount
1.	Total amount of payment transactions in the previous year	26,407,971.26
2.	Payment volume	2,200,664.27
3.	Total amount (4., 5. ,6., 7., 8.)	88,026.57
4.	4% of payment volume up to the amount of EUR 5 million	88,026.57
5.	2.5% of payment volume over the amount of EUR 5 million and up to the amount of EUR 10 million	0.00
6.	1% of payment volume over the amount of EUR 10 million and up to the amount of EUR 100 million	0.00
7.	0.5% of payment volume over the amount of EUR 100 million and up to the amount of EUR 250 million	0.00
8.	0.25% of payment volume over the amount of EUR 250 million	0.00
9.	Factor k	1.00
10.	**Minimum required regulatory capital for payment institutions**	88,026.57

41 Financial risk management objectives and policies (continued)

h) Offsetting

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

Group	Trade receivables		Trade payables	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Gross recognised amounts	40,507	44,738	54,238	63,487
Offsetting amount	(9,567)	(14,728)	(9,567)	(14,728)
	30,940	**30,010**	**44,671**	**48,759**

Company	Trade receivables		Trade payables	
EUR thousand	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Gross recognized amounts	9,039	9,515	21,911	27,814
Offsetting amount	(5,319)	(7,218)	(5,319)	(7,218)
	3,720	**2,297**	**16,592**	**20,596**

The offseting is applied in particular to receivables and payables with related parties and with mobile and fixed network operators.

42 Financial instruments

Recurring fair value measurement

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

Group	31 December 2023			31 December 2022		
EUR thousand	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income, non-current	144	-	766	419	-	766
Cash flow hedge derivative	-	-	(172)	-	-	-

Company	31 December 2023			31 December 2022		
EUR thousand	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income, non-current	69	-	766	342	-	766
Cash flow hedge derivative	-	-	(172)	-	-	-

43 Net debt reconciliation

Group	Cash/bank overdraft	Liquid investments	Other fin. liabilities (spectrum and content) within 1 y	Other fin. liabilities (spectrum and content) after 1 y	Lease liabilities	Total
EUR thousand						
Net debt as at 31 December 2021	**381,074**	**5,043**	**(11,547)**	**(17,519)**	**(82,328)**	**274,723**
Cash flow	**(7,652)**	**8,457**	**43,233**	**-**	**42,127**	**86,165**
Reclassification of current portion	-	-	(46,085)	46,085	-	-
Additions - increase in related asset (intangible assets and ROA)	-	-	-	(44,587)	(33,870)	(78,457)
Termination/modification of lease contracts	-	-	-	-	3,698	3,698
Net debt as at 31 December 2022	**373,422**	**13,500**	**(14,399)**	**(16,021)**	**(70,373)**	**286,129**
Cash flow	**(140,344)**	**(3,500)**	**34,613**	**-**	**45,568**	**(63,663)**
Reclassification of current portion	-	-	(47,352)	47,352	-	-
Additions - increase in related asset (intangible assets and ROA)	-	-	-	(38,060)	(45,409)	(83,469)
Termination/modification of lease contracts	-	-	-	-	1,985	1,985
Other non-financial movements	-	-	(1,183)	(2,162)	1,261	(2,084)
Net debt as at 31 December 2023	**233,078**	**10,000**	**(28,321)**	**(8,891)**	**(66,968)**	**138,898**

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

43 Net debt reconciliation (continued)

Company	Cash/bank overdraft	Other fin. liabilities (spectrum and content) within 1 year	Other fin. liabilities (spectrum and content) after 1 year	Lease liabilities	Total
EUR thousand					
Net debt as at 31 December 2021	**333,584**	**(13,538)**	**(13,405)**	**(71,843)**	**234,798**
Cash flow	6,191	36,368	-	38,528	81,087
Reclassification of current portion	-	(33,055)	33,055	-	-
Additions	-	-	(30,767)	(32,238)	(63,005)
Termination/modification of lease contracts	-	-	-	2,881	2,881
Merger of subsidiary (Note 3)	-	(2,654)	-	-	(2,654)
Other non financial movements	-	398	-	-	398
Net debt as at 31 December 2022	**339,775**	**(12,481)**	**(11,117)**	**(62,672)**	**253,505**
Cash flow	(148,933)	26,659	-	40,556	(81,718)
Reclassification of current portion	-	(35,003)	35,003	-	-
Additions	-	-	(30,798)	(39,763)	(70,561)
Termination/modification of lease contracts	-	-	-	1,898	1,898
Other non financial movements	-	5,319	-	1,261	6,580
Net debt as at 31 December 2023	**190,842**	**(15,506)**	**(6,912)**	**(58,720)**	**109,704**

44 Authorization for Services and Applicable Fees

The Company is party to the following Authorization for Services, none of which are within the scope of IFRIC 12:

a) Service authorization for the performance of electronic communications services

Pursuant to Article 24 of the Law on Electronic Communications (Official Gazette No. 76/2022) the Company is entitled to provide the following electronic communication services based on the general authorisation which was last updated in May 2022 (in compliance with the Law on electronic Communications that was in force at that time, Official Gazette No. 90/11, 133/12, 80/13, 71/14, 72/17):

- Internet access service in the fixed electronic communications network,
- Internet access service in the mobile electronic communications network,
- Number based interpersonal communications service in the fixed electronic communications network (including nomadic services),
- Number based interpersonal communications service in the mobile electronic communications network,
- Data transmission service,
- Lease lines service,
- Terrestrial TV broadcasting,
- Transport of telephone traffic among operators service (transit),
- M2M services,
- Other - premium rate and free phone services,
- Other - voice over internet protocol service (VoIP),
- Other - granting access and shared use of electronic communications infrastructure and associated facilities, and
- Other.

On 16 March 2023 the Croatian Regulatory Authority for Network Industries (HAKOM) issued to the Company special authorization to perform account reconciliation of accounts for the provision of electronic communications services in maritime for a period of 10 years, which is valid till 22 February 2033.

In accordance with HAKOM’s decision of 22 September 2022, the Company was designated as the Universal services provider in the Republic of Croatia for a period of two (2) years starting from 1 December 2022 with the obligation to provide following universal services during the mentioned period:

1. access to the public communications network and publicly available telephone services at a fixed location, enabling for the voice communications, facsimile communications and data communications, at data rates that are sufficient to permit functional internet access, taking into account prevailing technologies used by the majority of subscribers as well as the technological feasibility,
2. setting up of public pay telephones or other publicly available access points for the public voice service on public places accessible at any time, in accordance with the reasonable needs of end-users in terms of the geographical coverage, the quality of services, the number of public pay telephones or other publicly available access points for the public voice service and their accessibility for disabled persons,
3. special measures for persons with disabilities to access services from points 1 and 2 above, including access to emergency services, in the same way as other end-users,

44 Authorization for Services and Applicable Fees (continued)

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

4. special pricing systems adapted to the needs of socially vulnerable groups of end-users of services, which include the service referred to in the first point above

b) Authorization for usage of radio frequency spectrum

HAKOM issued to the Company the following licences for use of the radio frequency spectrum for public mobile electronic communications networks:

- licence for the use of radio frequency spectrum in 900 MHz and 1800 MHz frequency bands with the validity from 1 December 2011 until 18 October 2024,
- licence for the use of radio frequency spectrum in 2100 MHz frequency band with the validity from 1 January 2010 until 18 October 2024,
- licence for the use of radio frequency spectrum in 800 MHz frequency band with the validity from 29 October 2012 until 18 October 2024,
- licence for the use of radio frequency spectrum in 800 MHz frequency band with the validity from 6 November 2013 until 18 October 2024,
- licence for the use of radio frequency spectrum in 1800 MHz frequency band with the validity from 22 December 2014 until 18 October 2024,
- licence for the use of radio frequency spectrum in 2600 MHz frequency band with the validity from 1 May 2019 until 18 October 2024, and
- licences for the use of radio frequency spectrum in 700 MHz, 3600 MHz and 26 GHz frequency bands with the validity from 12 August 2021 until 11 August 2036.

Following the public auction procedure for issuing licenses for the use of radio frequency spectrum, on 8 March 2023, HAKOM passed a decision based on which the Company was issued new licenses for the use of radio frequency spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands, which are valid from 19 October 2024 until 19 October 2039:

HAKOM also issued to the Company licences for the use of radio frequency spectrum for satellite services (DTH services) with the validity from 12 August 2020 until 11 August 2025.

In March 2020 HAKOM approved the transfer of a licence for the use of radio frequency spectrum for the provision of the service of management of electronic communications networks for digital television multiplexes MUX C and MUX E from the companies HT Produkcija d.o.o., Odašiljači i veze d.o.o. and HP-Hrvatska pošta d.d. to the companies HT Produkcija d.o.o., Odašiljači i veze d.o.o. and Hrvatski Telekom d.d. By the decision of HAKOM from August 2020 the duration of the said licence was extended until 31 December 2030.

44 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 2023, the Company paid the following fees:

- the fees for the use of addresses, numbers and radio frequency spectrum pursuant to the ordinance passed by the Ministry of the sea, transport and infrastructure (in favour of State budget, Official Gazette No. 151/2022 and 37/2023),
- fees for the use of assigned radiofrequency spectrum pursuant to the decisions on the selection of the preferred bidders in the public auctions procedures of 6 November 2013 (2x5 MHz in 800 MHz frequency band), of 12 August 2021 (spectrum in 700 MHz, 3600 MHz and 26 GHz frequency bands), and of 8. March 2023 (spectrum in 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz)
- the fees for use of addresses, numbers, radio frequency spectrum and for the performance of other tasks of HAKOM, pursuant to the ordinance passed by HAKOM (in favour of HAKOM's budget, Official Gazette No. 154/2022 and 72/2023).

d) Audiovisual and electronic media services

Pursuant to the Law on Audiovisual Activities (Official Gazette No. 61/18), the Company is obliged to pay the fee in the amount of 2% of the total annual gross income generated from the performing of audiovisual activities on demand and 0.5% of the total annual gross income generated by media service providers who have permission for satellite, internet, cable transmission and other permitted forms of audiovisual program transmission for the purpose of the implementation of the National Programme.

Also, the Company (as the operator of public communication network) is obliged to pay a fee in the amount of 0.8% of the total annual gross income generated in previous calendar year by performing transmission and/or retransmission of audiovisual programmes and their parts through public communication network, including internet and cable distribution for the purpose of the implementation of the National Programme for the promotion of audiovisual creativity.

Pursuant to the Law on Electronic Media (Official Gazette No. 111/21), the Company is obliged to pay the fee of 0.5% of the annual gross revenues realized from the provisioning of audiovisual media services on demand and the electronic publication services.

44 Authorization for Services and Applicable Fees (continued)

e) Electronic communications infrastructure and associated facilities (ECI)

The Company, as the infrastructure operator, is obligated to pay fees to the owners and managers of the property on which the ECI of the Company is laid either under a right of way or under a right of servitude.

Pursuant to Electronic Communications Act, the right of way fee is paid to owners and managers of the property (Republic of Croatia, local and regional municipalities, other legal and natural persons) on which ECI of the Company is laid. The unit RoW fees are defined in the amount prescribed by the HAKOM's Ordinance on Right of Way Certificate and Payment of Fees for Right of Way (further: Ordinance on RoW) in the range of 0,4 – 1,33 EUR/m2/y depending on the property type.

In accordance with the Roads Act, the fee for servitude on a public road is paid to the managers of public roads. The unit fees are defined by the Government's Decision on the amount of fee for the establishment of servitude and construction rights on a public road in the amount of 0,63 EUR/m2/y for ECI laid on highways and 0,32 EUR/m2/y for ECI laid on all other public roads.

If the property rights are not resolved on the basis of the RoW, the Company pays the fee for the right of servitude to other owners and managers in the agreed amount.

The Company also pays a concession fee for cables laid on maritime property under the Maritime Property and Seaports Act, a fee for forest land to Hrvatske šume for the installation of antenna poles under the Forest Act, a fee for installing street cabinets in accordance with individual decisions of local municipalities, utility fees to local municipalities for business buildings pursuant to the Communal Economy Act, water fee to Hrvatske vode and local municipalities for constructed ECI pursuant to the Water Management Financing Act and administrative fees for obtaining approvals and permits for construction and legalization of ECI.

45 Share-based and non share-based payment transactions

Long-term incentive plans (LTI) are cash-based plans and were introduced in 2020, 2021, 2022 and 2023 at Group level.
LTI 2019 ended on 31 December 2022 and the Supervisory Board has determined final target achievement and awarded amount which was paid to plan participants in July 2023.
The LTI (Long term incentive) plan initiated in 2023, covers the period from 1 January 2023 to 31 December 2026.
LTI plans are linked to the to the performance of four indicators of the Deutsche Telekom Group: ROCE (Return on Capital Employed), Adjusted EPS (Earnings per Share), Customer satisfaction and Employee satisfaction.

EU Game Changer Incentive Program is cash-based plan that was introduced in 2022 for members of the Management Board and wildcards i.e. executives below the MB. EU Game Changer covers the period from 1 January 2022 to 31 December 2025 with annual payment instalments. Actual payments are determined by the participant group, the number of years of consecutive overperformance and the average KPI target achievement for the respective plan year.

Movements on cash-based incentive plans are presented in Note 30.

Share Matching Plan (SMP) is equity-based plan, for the award of bonus shares to managers, is active in 2023. The term of the 2023 SMP covers the period from 1 July 2023 to 30 June 2027. Share Matching Plan is obligatory for the President of the Management Board and voluntary for Management Board members.
Share Matching Plan (SMP) is a long-term remuneration instrument which is mandatory to the Company`s President of the Management Board and voluntary for Management Board members. SMP 2019 covered the period from 1 July 2019 to 30 June 2023 and relates to the non-cash benefit arising from the inflow of the matching shares, with the corresponding personal investment in Deutsche Telekom AG shares having been made in 2019. The proportion of the number of additional shares thus granted depends on the individual’s management level: CEO: 1:1, other Management Board members: 1:2.
Total number of Deutsche Telekom AG shares granted in 2023 as a part of the Share Matching Plan (SMP) 2019 is shown in the following table:

Share Matching Plan (SMP)	Full entitlement for the entire SMP 2018 duration			The part of the entitlement relating to HT*
	Matching DT AG shares (pieces)	Non-cash benefit per share (in EUR)	Non-cash benefit (in EUR)	Non-cash benefit (in EUR)
2019	3,893	19.198	74,738	74,738

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

	Group		Company	
EUR thousand	2023	2022	2023	2022
Expenses	2,825	2,173	2,731	1,971
	2,825	**2,173**	**2,731**	**1,971**

46 Auditor's fees

The auditors of the Group's financial statements have rendered services of EUR 592 thousand in 2023 (2022: EUR 696 thousand) and of the Company's financial statements have rendered services of EUR 380 thousand in 2023 (2022: EUR 496 thousand). Services rendered in 2023 and 2022 relate to audits and reviews of the financial statements, Reports on related party transactions and Remuneration report.

Total amounts for 2022 are also including services for audit of financial statements prepared for regulatory purposes, provided by auditors from the previous year. Auditor's fees for 2023 are not including amount for this service, because the service is still provided by auditors from the previous year.

47 Subsequent events

On 1 January 2024, Company merged its subsidiary Iskon Internet d.d. With the date of incorporation into the court register (2 January 2024), Iskon Internet d.d. ceased to operate as a separate business entity and is no longer active in the court register, while the entire assets and all rights and obligations were transferred to the Company. After the merger, the products and services provided by Iskon will continue to be provided within the portfolio of the Company under Iskon's brand.

The carrying value of transferred assets and liabilities of Iskon Internet d.d. as at the date of merger were:

	in EUR thousand
Non-current assets	14,114
Current assets	30,418
Liabilities	36,465
Total net assets	**8,067**
Goodwill	10,090
Investment in Iskon Internet d.d.	(46,349)
Total effect of merger on retained earnings of the Company	(28,192)

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

On 1 January 2024, the technological unit Ericsson Nikola Tesla Servisi d.o.o. (ENTS) for construction and maintenance of the Croatian Telecom network, which was initially outsourced to ENTS in September 2014, became part of the HT Group. The now former technological unit of ENTS has been transferred together with the employees to HT Servisi d.o.o. (daughter company fully owned by Croatian Telecom which was established on 15 November 2023), based on the Agreement on the transfer of a part of the economic activity concluded with ENTS. Value of the acquisition transaction is EUR 327 thousand. Carrying amount of net assets of HTS on the date of acquisition of business unit is EUR 27 thousand.

47 Subsequent events (continued)

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