CONTENT

HT GROUP IN 2024

FINANCIAL KEY PERFORMANCE INDICATORS

TOTAL REVENUE

€ 1,102 m

2023/24: +6%

ADJ. EBITDA AL

€ 416 m

2023/24: +4.7%

CAPEX AL

€ 243 m

2023/24: +9.9%

CASH FLOW FROM OPERATING ACTIVITIES

€ 401 m

2023/24: +11.2%

NET PROFIT AFTER NON-CONTROLLING INTERESTS

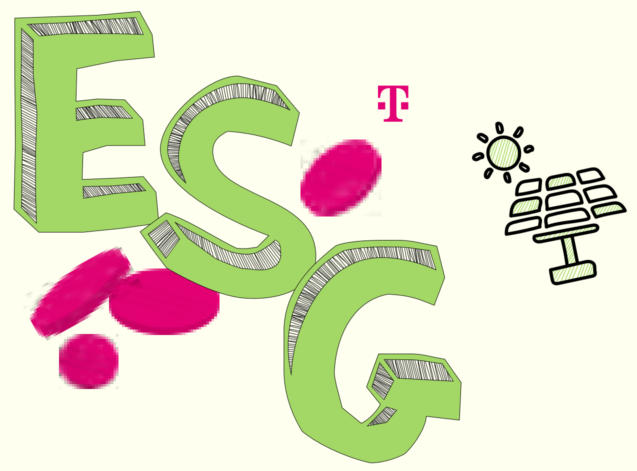
€ 142 m

2023/24: +7.5%

HT GROUP IN 2024 (continued)

ESG

KEY PERFORMANCE INDICATORS



ENVIRONMENTAL

100% of electricity from renewable energy sources

Part of renewable energy covered through the Power Purchase Agreement **(vPPA)** - The first in the Republic of Croatia (part of HT's energy transition)

“Call you have to take” - record number of mobile electronic devices collected and disposed of (+28% YoY)

SOCIAL

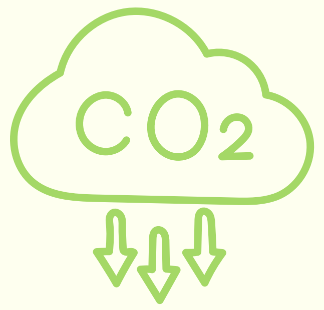
Leadership position in **customer experience**

Record annual FTTH rollout with more than **150,000 new households**

GOVERNANCE

The highest YoY progress in **corporate governance** (HANFA)

The only Croatian company on **The World's Most Ethical Companies** list



CEO LETTER TO SHAREHOLDERS

Dear Shareholders,

Croatian Telecom is a leading digital company with dedicated employees who provide everyone in Croatia with simple and reliable connectivity and relevant digital opportunities, all awhile growing sustainably and responsibly as a company. This is the vision we have followed throughout 2024, a year in which we made significant progress across all segments of our business and created value for the company, customers, employees, and our shareholders.

With inflation, which has slowed down, but remains among the highest in the European Union, and overall rising business costs, 2024 was another challenging year of economic, social, and geopolitical turbulences.

However, even in such conditions, thanks to a clear strategy, by far the largest investments in the market, innovative and unique services, and the engagement of our employees, the year 2024 was for Croatian Telecom marked by further development and strong business results. In fact, several segments saw record achievements and the best performances in the history of Croatian Telecom.

Strong financial results

We concluded the past year with growth in both the residential and business segments across mobile, fixed, and ICT services. We achieved a 6.0% YoY revenue growth, resulting in a 4.7% increase in adjusted EBITDA AL and a 7.5% growth in net income, which amounted to EUR 141.9 million. We increased our already largest market investments, which in 2024 amounted to EUR 242.9 million, representing a 9.9% YoY growth and confirming our commitment to accelerating Croatia's digitalisation and building key infrastructure across the country.

Leading mobile and fibre network

Thanks to strong infrastructure investments, in 2024, we significantly expanded the already largest fibre (FTTH) network, increasing coverage by an additional 20%. The expansion of the FTTH network to more than 150,000 new households represents the largest fibre network rollout in a single year, bringing us one step closer to our goal of providing fibre internet to more than 1.1 million households.

Our mobile network also made significant improvements in all key performance metrics, earning important industry recognition. For the sixth consecutive year, Croatian Telecom won the Ookla award for the best and the fastest mobile network in Croatia. Additionally, for the second year in a row, HT's mobile network was recognized as the best in research conducted by the regulator HAKOM, and for the fourth time in the last five years, the same was confirmed by umlaut research.

Increasing efficiency with operational model transformation

Further accelerating the transformation of our operational model, we increased business efficiency, which, as in previous years, resulted in us providing the best customer experience in the market.

In January 2025, the merger of HT Servisi d.o.o. into HT d.d. was completed, further improving the organizational and operational efficiency of our business. During 2024, the gradual shutdown of the 3G network began, and was completed in the first quarter of 2025, with the complete transition to 4G and 5G networks enabling even better connectivity, enhanced customer experience, and more energy-efficiency.

The best customer experience in B2C and B2B

Systematic investments, commitment to innovation, service quality, and high employee engagement resulted in improvements across all business areas, with HT being recognized as the most loved telecommunications brand in the market and again for having the best customer experience, both in the consumer and business segments.

Customer experience is at the heart of everything we do. For years, we have been providing the best customer experience on the market while continuously improving and elevating it to an even higher level, setting new standards for the entire industry. Our customer centricity is evident in our daily operations and all aspects of our business - not only through the best customer support but also through the best network, the finest content on MAXtv, and innovative products and services tailored to customers' needs and preferences for modern and reliable digital solutions. The fact is that over the past year, we have made additional progress in all these areas, and we are proud of these achievements. However, we also know that we can and will be even better. We wholeheartedly embrace the responsibility and expectations of the market, our employees, and our shareholders, as they serve as a constant source of motivation.

At the core – engagement of our employees

The key prerequisite for customer satisfaction is the satisfaction of our employees, with whom everything begins. I am proud of all the company's successes and grateful for the dedication of our more than 5,000 employees who have made them possible by working as one team with a clear goal and vision. As a company, we provide connectivity that enables businesses and individuals to achieve their goals, and this is a responsibility that our employees diligently fulfil and for which they deserve great respect.

Business based on sustainable development

Our commitment to sustainable development has never been more pronounced - our programs are more comprehensive, and our contributions to society, digital inclusion, and environmental protection are more tangible than ever before. In line with our sustainability strategy and achieving ambitious ESG goals, Croatian Telecom has won the national sustainability award for the fourth consecutive year. We were also again the only Croatian company included in the list of the World's most ethical companies by Ethisphere, and we have been recognized for the greatest progress in corporate governance.

This and other national and international recognitions, together with our corporate social responsibility programs and practices, highlight our commitment to positively impacting the environment and society, while simultaneously focusing on ensuring the sustainable and successful future of the company. By securing and building key digital infrastructure across Croatia, we enable the economy and society to operate and develop in a more sustainable manner.

Since 2021, we have been using 100% renewable energy for our operations, and with the end of 2024, with the beginning of operational work of the first virtual power purchase agreement (vPPA), a significant step forward has been made in implementing the Company's energy strategy, ensuring long-term environmental responsibility. Additionally, for the second consecutive year, we achieved record results in collecting old electrical and electronic devices, with a 28% YoY growth.

Largest capital allocation in over a decade

In 2024, Croatian Telecom paid a dividend of EUR 119.2 million, meaning EUR 1.53 per share, which represents the highest dividend payout in more than a decade. In addition, Croatian Telecom acquired 803,360 shares on the Zagreb Stock Exchange, investing EUR 28.4 million in the buyback. This further demonstrates our commitment to increasing value for nearly 150,000 of our shareholders. Overall, in 2024, we have achieved a total shareholder return (TSR) of 52.9%, which is a record high since the IPO, reflecting the Company's strong commitment to maximizing shareholders value.

Outlook for 2025

Looking back on the past year, during which I had the honour of taking on the responsibilities of CEO, I find it important to highlight that Croatian Telecom had a successful year, making significant strides that have laid an excellent foundation for the future.

Looking ahead to 2025 and the following years, our goal is clear - we will continue to improve across all areas of our operations and continue to raise existing standards while setting new ones in the market. Despite ongoing uncertainties, constant inflationary pressures, and rising labour costs, our goal is to continue growing.

We will continue investing in gigabit fibre infrastructure and expanding the 5G network, providing modern digital and ICT solutions, accelerating digital transformation, further improving customer experience and employee engagement, and creating even more value for our customers and shareholders.

Our vision is to remain the leading digital company with dedicated employees who provide everyone in Croatia with simple and reliable connectivity and relevant digital opportunities, all awhile growing sustainably and responsibly as a company, creating value for the economy and society. This is not just our vision. It is our promise.

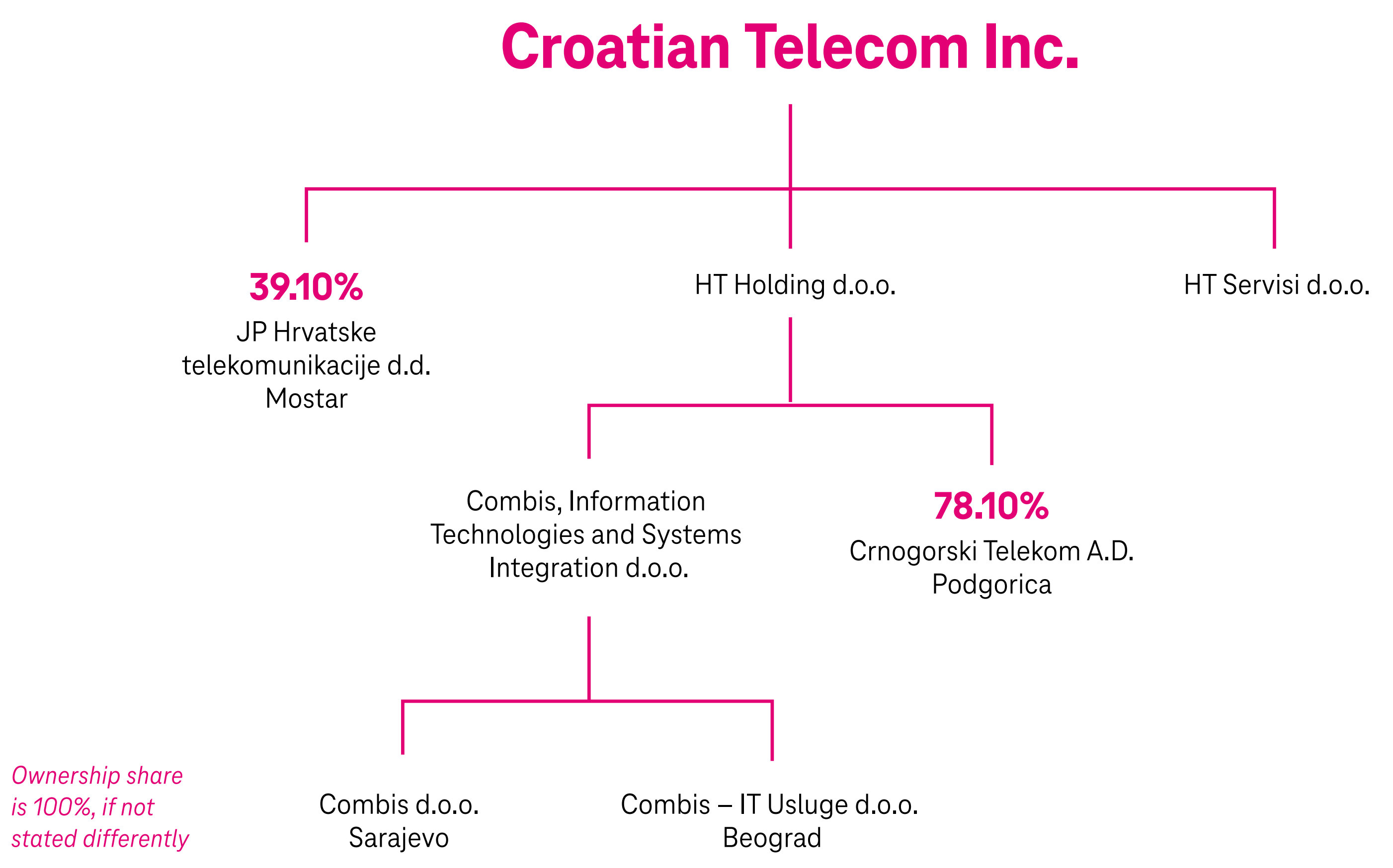
Nataša Rapaić

CEO

CORPORATE PROFILE

Overview

HT Group, led by Croatian Telecom Inc. (hereinafter referred to as “HT” or the “Company”) and its subsidiary companies, is the leading provider of telecommunication and digital services in the Republic of Croatia. The Company has no branch offices. HT Group structure on 31 December 2024 is shown below:



OWNERSHIP STRUCTURE: The share capital of Croatian Telecom Inc. on 31 December 2024 amounted to EUR 1,359,742,172 divided into 78,000,000 shares without nominal value. The Company has 812,363 of its own shares, which represents 1.0% of the share capital.

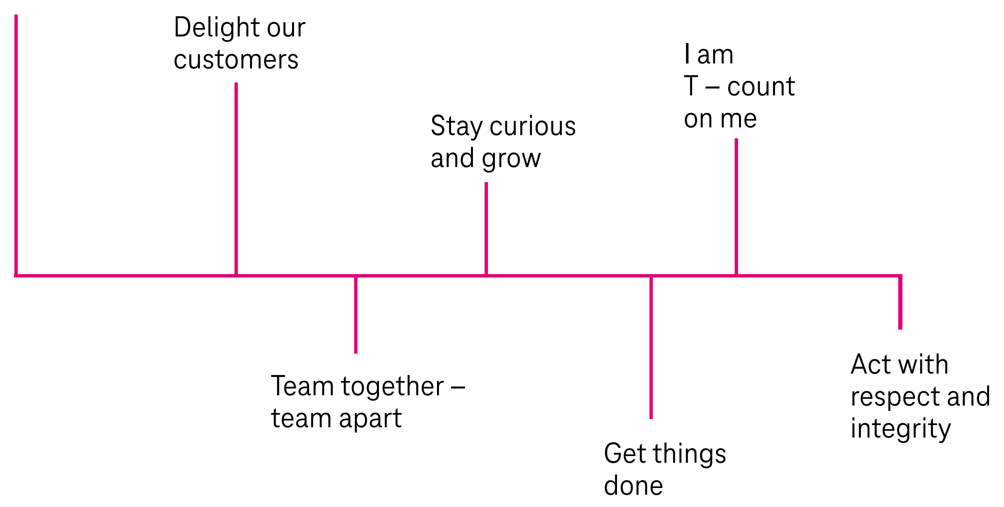
Deutsche Telekom Europe B.V. is the majority shareholder of Croatian Telecom Inc. with a 53.54% holding. Deutsche Telekom Europe B.V. is 100% owned by Deutsche Telekom Europe Holding B.V. whose 100% owner is Deutsche Telekom Europe Holding GmbH (former name was T-Mobile Global Holding Nr. 2 GmbH). Deutsche Telekom Europe Holding GmbH is 100% owned by Deutsche Telekom AG.

The Croatian War Veterans’ Fund owns 7.0%, with the Restructuring and Sale Center (CERP)/Republic of Croatia holding 2.0% of shares.

The remaining 36.5% is owned by Croatian citizens and other domestic and foreign institutional investors. Raiffeisen Pension Funds (in Croatian: Raiffeisen mirovinski fondovi) are the investor with the largest shareholding among private and institutional investors, holding 10.9% of Company shares.

VISION: *TO ACHIEVE SUSTAINABLE AND PROFITABLE GROWTH FOR THE COMPANY BY CONNECTING EVERYONE IN THE REPUBLIC OF CROATIA WITH THE OPPORTUNITIES PROVIDED BY DIGITALISATION AND ENABLING PEOPLE TO MAKE THEIR LIVES BETTER.*

HT GROUP GUIDING PRINCIPLES



HT GROUP’S GUIDING PRINCIPLES set the daily operations guidelines based on ethics, respect, teamwork, responsibility, and creating an environment that values outstanding results. They foster an atmosphere that contributes to business success through shared values towards customers and partners. Responsibility for promoting these values lies with all employees, from management to every team member (*The chapter ESRS G1-1 – Business Conduct Policies and Corporate Culture details HT Group’s Guiding Principles*).

HT Group offers its customers a wide range of fixed, mobile, internet, and data services and advanced ICT solutions tailored to business and corporate needs. Frequent awards and independent recognition confirm HT Group's market visibility for the best network, sustainable business practices, corporate governance, and social engagement (*an overview of selected examples is available in the section on Initiatives, Awards, and Recognition*).

HT Group is continuously upgrading technology and network quality to ensure a superior customer experience and developing innovative digital solutions that foster a connected and sustainable society. Thanks to its strategic focus on digitalisation, technological advancement and providing the best customer experience, HT Group is the market leader in both the residential and business segments.

With modern infrastructure, HT Group sets industry standards and emphasizes digitalisation. By investing in 5G networks, fibre infrastructure, and advanced Cloud services, HT Group enables faster and more secure access to information, supports the development of smart cities, and drives digital transformation of the economy and the public sector. With its cybersecurity and IoT solutions, as well as data centres, HT Group enhances business efficiency and security.

The strong employee engagement and our status as one of the most desirable employers on the market ensure HT Group’s continuous growth and prosperity. As a socially responsible company, HT Group actively contributes to reducing the digital divide, fostering sustainable business practices, and implementing ESG standards. By providing technological solutions that improve the quality of life, simplify communication, and stimulate innovation, HT Group plays a key role in the digital transformation of society and the economy, making the Republic of Croatia more connected, advanced, and globally competitive.

CORPORATE PROFILE (continued)

Strategy

The strategic ambition of the HT Group is to continue being the leading digital and sustainable telecommunications company and a reliable partner to its customers and to society.

HT Group is the largest private investor in the digital transformation of the Republic of Croatia, ensuring connectivity for residential customers and business enterprises #ConnectingYourWorld. Through its strategic investments in gigabit networks, it develops fixed and mobile infrastructure, providing faster and more reliable internet service. Rolling out fibre optics, implementing 5G technology, and launching innovative services, has raised the industry standards and fostering digitalisation in all sectors. The recognition for the best and fastest mobile network in the Republic of Croatia #theBestNetwork confirms this commitment to quality.

Customers are at the centre of the HT Group's business, with innovative benefits and top-quality service keeping customers in focus #CustomerFirst. HT Group is continuously optimising business processes, utilising digitalisation to achieve greater efficiency, sustainable growth, and a competitive advantage. HT Group remains the frontrunner in technology changes, continuously and systematically investing in innovations that shape the future of a connected society, and was recognised as one of the world's most ethical companies. This confirms its dedication to the highest ethical and corporate governance standards #GreenMagenta.

Key strategic guidelines for year 2024 are shown in the visual below.

History

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

Pursuant to the terms of the Hrvatske telekomunikacije d.d. Privatisation Act d.d., on 5 October 1999, the Republic of Croatia sold 35% of shares in HT to Deutsche Telekom AG (hereinafter referred to as "DTAG"). On 25 October 2001, DTAG purchased further 16% of the Company's shares and thus became the majority shareholder with a 51% stake.

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

In the near past, several organizational changes were implemented within HT Group:

- On 8 November 2023, HT and Iskon concluded the Merger Agreement of Iskon into HT. The merger was entered into the Court Register of the Commercial Court in Zagreb on 1 January 2024, by which the merged company Iskon ceased to exist as a separate legal entity. As the acquiring company, HT became the universal legal successor of Iskon, thus entering into all legal relationships of the merged company. Products and services previously offered by Iskon continue to be provided within HT but as a separate Iskon brand.
- On 1 January 2024, the technological unit Ericsson Nikola Tesla Servisi d.o.o. (hereinafter referred to as "ENTS"), responsible for the construction and maintenance of the HT network, which was initially outsourced to ENTS in September 2014, was integrated into HT Group. The now former technological unit of ENTS has been insourced together with the employees to HT Servisi d.o.o. (a subsidiary company established by HT on 15 November 2023, and fully owned by HT), based on the Agreement on the transfer of a part of the economic activity concluded with ENTS.
- Based on the Merger Agreement concluded on 5 November 2024 between Croatian Telecom Inc. and HT Servisi d.o.o. and the General Assembly of the merged company on approval for the merger on 2 January 2025, the merger has been entered into the Court Register of the Commercial Court in Zagreb. Upon entry of the merger the company HT Servisi d.o.o. ceased to exist and HT Inc. became the universal legal successor, thus entering into all legal relationships of the merged company.

CORPORATE PROFILE (continued)

History (continued)

1999
Hrvatske telekomunikacije d.d. (HT d.d.) commences business operations

Deutsche Telekom AG (DTAG) acquires 35% shares of HT d.d.

2001
DTAG becomes the majority shareholder with a 51% stake

2002
HT mobilne komunikacije d.o.o. established (later T-Mobile Hrvatska d.o.o.)

2004
Change of Company logo into T-HT

2006
Acquisition of 100% shares of Iskon Internet d.d.

2007
Initial Public Offering (IPO)

2009
Merger of T-Mobile Hrvatska d.o.o. into HT d.d.

2010
Acquisition of Combis d.o.o.

2014
Takeover of management of OT Optima Telekom d.d. (Optima)

2017
Acquisition of 76.53% stake in Crnogorski Telekom A.D.

Establishment of subsidiary company, HT Holding d.o.o.

2018
Acquisition of stake in the company HP Produkcija d.o.o. (EVO TV)

2019
Sale of E-tours d.o.o.

2021
Sale of Optima Telekom d.d.

Merger of Kabelsko distributivni sustav d.o.o. into HT d.d.

2022
Merger of HT Produkcija d.o.o. into HT d.d.

2024
Technological unit Ericsson Nikola Tesla Servisi d.o.o. (ENTS), for construction and maintenance of HT network, transferred to HT Servisi d.o.o., HT's newly established subsidiary company

Merger of Iskon Internet d.d. into HT d.d.

2025
Merger of HT Servisi d.o.o. into HT d.d.

MANAGEMENT BOARD

NATAŠA RAPAIĆ

President of the Management Board and Chief Executive Officer (CEO)

Nataša Rapaić was appointed President of the Management Board and Chief Executive Officer (CEO) of Croatian Telecom, effective July 2024.

Previously, from 2013, she was Management Board member and Chief Operating Officer Residential (COOR), responsible for sales, marketing, customer and technical services for residential area. She joined HT Group in 2003 and has held several managerial positions: Operating Director and Chief Marketing Officer for residential customers, Chief Marketing Officer at T-Com, and Operating Director for corporate communications.

During her mandate as Board Member, Croatian Telecom has undergone a successful transformation into a digital company recognised for providing the best customer experience based on innovative products and services and the best network, strengthening its status as a market leader and the most loved telecom brand on the Croatian market.

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

Nataša holds a degree from the Faculty of Economics, University of Zagreb and an MBA in Business Management from IE in Madrid.

MARIJANA BAČIĆ

Member of the Management Board and Chief Operating Officer Business (COO Business)

Marijana Bačić was appointed a Management Board member and Chief Operating Officer Business effective September 2022, and is responsible for Sales, Business Marketing, Business Steering and Channel Management, ICT Business Development.

She began her career at Croatian Telecom in 2001 in the Data and IP Services Department, continuing in the Controlling and Planning Department before becoming a Key Account Manager for corporate customers. She was promoted to Director of the Corporate Sales Department and later the whole Corporate Sales Sector. In 2020, she was appointed Vice President for Corporate Customers and ICT.

During her over 20-year career at Croatian Telecom, she has had a significant role in working with key business customers, and in developing the Company's innovative products and solutions that improve business for companies of all sizes. She was also engaged in creating and implementing ICT business synergy within the HT Group.

Marijana is also a member of the Supervisory Board of Combis d.o.o., a regional system integrator and a member of the HT Group focused on the development of application, communication, security, and system solutions and development and integration of ICT solutions.

She graduated from the Faculty of Economics, University of Zagreb, where she obtained a Master of Science in Finance.

MANAGEMENT BOARD (continued)

IVAN BARTULOVIĆ

Member of the Management Board and Chief Operating Officer for Human Resources and Customer Operations (COO)

Ivan Bartulović was appointed a Member of the Management Board and Chief Operating Officer for Human Resources and Customer Operations (COO) in July 2024.

Since 2019, he served as a Member of the Management Board and Chief Human Resources Officer (CHRO) at Croatian Telecom and was responsible for organisational transformation and employee experience transformation. This process resulted in all-time highs in employee satisfaction and engagement. After taking on the broader COO role, his responsibilities also include technical services for residential, business and ICT customers, the call centre for residential customers, digital sales and customer support.

He began his career in 2005 as a financial consultant at Privredna banka Zagreb. From 2010, he was Executive Director for Strategic Human Resources at CEMEX Group, responsible for their operations in Croatia, Bosnia and Herzegovina, Montenegro, and Serbia. Between 2016 and his appointment as CHRO at Croatian Telecom, he was a Member of the A1 Group's Leadership Team and Cluster Senior Director of Human Resources and Corporate Communications for business segments in Croatia and North Macedonia.

He is a Board member of the German-Croatian Chamber of Industry and Commerce (Deutsch-Kroatische Industrie- und Handelskammer).

Ivan graduated in Business Economics, and obtained a master's degree in Financial Management from the Faculty of Economics, University of Split. He completed his MBA at HHL Leipzig Graduate School of Management and EADA Business School. During his MBA studies, he also studied at Georgetown University and Lingnan University. He attended Harvard Business School, specialising in Business Transformation Management.

BORIS DRILO

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

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

He previously served as HT's Sector Director for managing architecture, strategy, and investments within technical functions of Croatian Telecom, and as a Member of the Management Board of Iskon Internet d.d. responsible for technology and IT.

Boris joined Croatian Telecom in 2012, from the Ericsson Group, where he spent 12 years in managerial functions related to the development and application of telecommunications networks and new technologies.

During 2024 he also served as the Executive Board Member with Croatian Employers' Association, and is a member of the Alumni Board of the Faculty of Electrical Engineering and Computing, University of Zagreb.

He graduated from the Faculty of Electrical Engineering & Computing, University of Zagreb, where he spent one year as Research Assistant in wireless data communications. He holds a master's degree in electrical engineering, and he also completed the Executive Leadership Programme at Boston University, and the Executive MBA degree course at Cotrugli Business School in Zagreb.

SINIŠA ĐURANOVIĆ

Management Board Member and Chief Corporate Affairs Officer (CCO)

Siniša Đuranović was appointed Management Board Member and Chief Corporate Affairs Officer (CCO) in December 2022. In this role, he is responsible for coordinating and managing the Company's corporate affairs regarding strategy, regulatory and public affairs, legal affairs, wholesale, M&A, ESG, electronic communications infrastructure, business transformation, tportal and digital advertising services.

During his career with Croatian Telecom, which began in 2000, his responsibilities included those of Senior Vice President and General Counsel, overseeing regulatory and legal functions as well as leading strategic Croatian Telecom and HT Group projects in Croatia and the region.

He began his career at the Filipović Law Office, focusing on corporate law, and domestic and international consulting in major acquisitions.

Siniša is also Chairman of the Board of Directors of Crnogorski Telekom, a Supervisory Board member of the public company Hrvatske telekomunikacije d.d. Mostar, and Vice President of the ICT Section of the Croatian Employers Association.

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

MATIJA KOVAČEVIĆ

Member of the Management Board and Chief Financial Officer (CFO)

Matija Kovačević has been Management Board Member and Chief Financial Officer (CFO) since August 2022. In this role, he is responsible for finance, internal audit, risk management, procurement, real estate management, and business transformation.

Since joining Croatian Telecom, he held several executive positions and participated in the acquisition of Combis and Iskon. In 2009, he was appointed a member of the Management Board and Chief Financial Officer at Iskon.

He continued his career at Deutsche Telekom in 2010, gaining extensive international experience. He was responsible for financial and business steering in Deutsche Telekom's subsidiaries in South-East Europe. He led a range of transformation and operating model change projects and controlled the European Head Office unit at Deutsche Telekom.

Matija is also a Member of the Board of Directors of Crnogorski Telekom.

He graduated from the Faculty of Economics and Business, University of in Zagreb.

KREŠIMIR MADUNOVIĆ

Member of the Management Board and Chief Operating Officer Residential (COO Residential)

Krešimir Madunović was appointed Member of the Management Board and Chief Operating Officer Residential (COOR), effective July 2024. In this role, he is responsible for Product development, Sales, Residential Steering and Channel Management, Customer Experience, Residential Marketing, Brand Development and Management.

In late 2022, he was appointed Director of Residential Marketing at Croatian Telecom and, in parallel, served as CEO of Iskon (a member of the HT Group), a position he held since 2016 until Iskon's integration into Croatian Telecom on 1 January 2024.

He started his career at HPT Mostar in 1997 and continued at T-Mobile where he held several managerial positions. In 2009, he assumed the position of Operations Director of the Sales Sector for SME of Croatian Telecom. He was appointed a member of the Iskon Management Board for Business Customers and Wholesale in 2013.

Krešimir holds a degree from Faculty of Electrical Engineering and Computing, University of Zagreb and has competed an MBA program at the IEDC Business School in Bled.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration and evaluation of the work performed by the Management Board is conducted in accordance with the Remuneration Policy for Members of the Management Board that was adopted by the General Assembly of the Company in 2023. Once a year the Company submits to the General Assembly the Report on remuneration paid to the Members of the Supervisory Board and to the Management Board Members in the previous business year. Remuneration Policy and the above stated Report are available at the Company web pages at the following link https://www.t.ht.hr/odnosi-s-investitorima/revidinirana-financijska-izvjesca-o-primicima.

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

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

Company's Shares Award Plan (PDD) is also implemented, a voluntary compensation tool under which a Member of the Management Board has the option to choose HT shares instead of a pay-out of certain percentage of Short-Term incentive (STI) achieved for the previous year.

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

Individual compensation agreements can include fringe benefits: company car, accommodation cost, pension fund, scholarship for children, other non-cash benefits and services These elements are adjusted depending on individual circumstances of each Management Board Member and are defined by the Contract each Management Board Member concludes with the Company.

SUPERVISORY BOARD

ELVIRA GONZÁLEZ SEVILLA

Chairwoman of the Supervisory Board

During her 20 years of international experience working for Deutsche Telekom and Vodafone, Elvira González Sevilla held various leadership roles in Spain, Netherlands, UK, and Germany across Strategy, Consumer, Business and Wholesale functions. Currently she performs the function of Senior Vice President for Commercial Growth B2B Europe at Deutsche Telekom AG.

Mrs. González Sevilla holds a university master's degree in Telecommunications engineering and an MBA from the EOI School in Madrid.

She is Chairwoman of the Compensation and Nomination Committee of the Supervisory Board of Croatian Telecom and holds the positions of Member of the Board of Directors of Magyar Telekom Nyrt, and Member of the Board of Directors of OTE S.A.

IVICA MIŠETIĆ, PhD

Deputy Chairman of the Supervisory Board

Ivica Mišetić, PhD, is a finance and marketing expert with extensive managerial experience. He held the position of Regional Sales Manager of the air carrier Adria Airways, and during his 14 years long tenure as President of the Management Board of Croatia Airlines, it became the leading company in the region, positioning itself successfully on the global market. In October 2010, he joined Atlantic Grupa d.d. as General Secretary.

He graduated and earned his master's and his doctoral degrees from the Faculty of Economics, University of Zagreb, and completed the AMP program at the Harvard Business School.

Ivica Mišetić, is the Member of the Compensation and Nomination Committee of the Supervisory Board of Croatian Telecom. He also chairs the Members Council of the Croatian Employers Association. During his career, he has held the positions of Chairman of the Association of European Airlines, and Council Member of the Croatian Tourist Board. In the mid-1990s, he spent three years in the position of Head of State Protocol for the Republic of Croatia, simultaneously holding Ambassador status.

He has received several decorations from the Republic of Croatia for his achievements and has been awarded the French Legion of Honor Medal.

EIRINI NIKOLAIDI

Member of the Supervisory Board

Eirini Nikolaidi is an accomplished executive, with corporate law background and a rich track-record in the heavily regulated sector of electronic communications. She currently serves as General Counsel - Chief Legal, Regulatory, Public Affairs & Corporate Governance Officer of the OTE Group.

She holds a law degree from the University of Athens, and a master's degree (LLM) in International Business Law from the University of London (UCL), where she specialized, among others, in international finance and international trade law.

Mrs. Nikolaidi is a member of the Compensation and Nomination Committee and of the Audit Committee of the Supervisory Board of Croatian Telecom and member of the Athens Bar Association. She holds the positions of Member of the Board of Directors of Germanos S.A., Member of the Board of Directors of Telekom Romania Mobile Communications S.A., and Member of the Board of Directors of COSMOTE Payments Electronic Money Single Member S.A.

MARC STEHLE

Member of the Supervisory Board

Marc Stehle started his career with Ernst&Young in the audit department, and for the last 30 years he has been working for Deutsche Telekom Group in various positions at managerial levels and different areas k, such as Group Headquarters, Sales and Service and IT-Services. Currently he performs the function of Vice President of Financial Controlling and Corporate Responsibility for Europe at Deutsche Telekom AG.

He studied business economics and graduated from the University of Applied Science in Duesseldorf, Federal Republic of Germany.

He is the chairman of the Audit Committee of the Supervisory Board of Croatian Telecom and holds the positions of Member of the Board of Directors of Crnogorski Telekom A.D., Managing Director of Deutsche Telekom Europe Holding B.V., and Managing Director of Deutsche Telekom Europe B.V.

ANDRÉ LENZ

Member of the Supervisory Board

Andre Lenz is a manager with significant experience in complex international organizations in the controlling function, which includes responsibility for business controlling, innovation controlling, capex controlling and HR controlling, responsibility for Deutsche Telekom's strategic business units (T-Mobile Austria GmbH, Telekom Deutschland GmbH, T-Mobile Deutschland GmbH, Group Headquarter Service, Technology & Innovation). Until 31 December 2024, he served as Vice President, Group Performance Controlling, at Deutsche Telekom AG.

Mr. Lenz currently holds the position of Chief Financial Officer of Magyar Telekom Nyrt. (as of 1 March 2025).

He studied economics and graduated at the University of Ruhr, Bochum, Federal Republic of Germany.

JONATHAN ABRAHAMSON

Member of the Supervisory Board

Jonathan Abrahamson is an executive with international experience in online business management, digital product development, sales, product marketing and operations disciplines and leadership experience in Digital business, E-commerce, Product Development and Finance/payments businesses, managing small and large teams. Currently, he holds the position of Chief Product & Digital Officer at Deutsche Telekom AG.

He studied economics and graduated from the University of Sydney, Australia.

Mr. Abrahamson also holds the positions of Member of the Board of Directors of Deutsche Telekom Digital Labs Private Limited and Chairman of the Supervisory Board of Deutsche Telekom hub:raum Fund GmbH.

DOLLY PREDOVIC, PhD

Member of the Supervisory Board

Dolly Predovic, PhD is a corporate finance expert with extensive business experience, holding positions of member of Board of Directors in Pirelli RE, Milano, and Hipotekarna Banka, Podgorica. She is also the founder and CEO of Career Paths, Milano. In her academic career, she held various lecturing positions in corporate finance at the Bocconi University and SDA Bocconi School of Management, IULM University, University of Trieste, and International Management Institute of Saint Petersburg (IMISP).

She graduated Business Administration and received her master's degree in Finance from Bocconi University, Milan, and holds a doctorate in higher education internationalisation from UCSC - Universita' Cattolica del Sacro Cuore, Milan.

Mrs. Predovic is a Member of the Audit Committee and of the Related Parties Transactions Committee of the Supervisory Board of Croatian Telecom, a Member of the Supervisory Board of Podravska Banka Inc., and Member of the Academic Council of the Zagreb School of Economics and Management.

PROFESSOR VEDRAN BILAS, PhD

Member of the Supervisory Board

Dr.sc. Vedran Bilas redoviti je profesor elektrotehnike na Fakultetu elektrotehnike i računarstva Sveučilišta u Zagrebu (FER). Uz nastavu i istraživanja u području elektroničkih sustava, bavi se i tehnološkim poduzetništvom i menadžmentom u inženjerstvu. Ima iskustva prijenosa tehnologije u nova poduzeća. Obnaša dužnost dekana FER-a od akademske godine 2022./2023. Predsjednik je Upravnog vijeća FER-ova Inovacijskog centra Nikola Tesla, član Partnerskog vijeća Grada Zagreba te Administrativnog odbora međunarodne udruge IEEE IMS..

VIKTOR VANEK

Member of the Supervisory Board, Workers' representative

Viktor Vanek is the President of the Workers' Council of Croatian Telecom. He started his career in Croatian Telecom, and transferred to T-Mobile, where he specialized in sales force training and education, leading projects and processes. Currently he holds the position of Efficiency and Work Quality Expert in the Business Marketing Sector.

He graduated in electrical engineering and received his master's degree in entrepreneurship from the Josip Juraj Strossmayer University of Osijek.

He also holds the positions of Deputy President of the HST - Croatian Union of Telecommunications, and is a Member of the Presidency of the European Workers' Council of Deutsche Telekom.

SUPERVISORY BOARD (continued)

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of Supervisory Board Members has been determined in accordance with the Decision of the General Assembly on remuneration of members of the Supervisory Board, approved by the General Assembly held in 2024. The Decision of the General Assembly and the Remuneration Report are available on the Company website at: https://www.t.ht.hr/en/investor-relations/report-of-remuneration.

The remuneration of members of the Supervisory Board is determined according to the function they hold in the membership of the Supervisory Board and the tasks they perform within the Board or committees of the Supervisory Board, and in relation to the average net salary of employees paid in the previous month.

The remuneration to the Supervisory Board Members does not include a variable part and is therefore not influenced by the Company`s operating results in any given past or future period.

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

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

Croatian Telecom Inc., in accordance with the Companies Act and the Accounting Act, hereby reports on compliance with the Corporate Governance Code.

In the year 2024, the Company applied the Corporate Governance Code (hereinafter referred to as "the Code") adopted by the Croatian Financial Services Supervisory Agency (hereinafter referred to as "HANFA") and the Zagreb Stock Exchange Inc. Zagreb (ZSE) , in effect as of 1 January 2020, and it was published on the ZSE website (www.zse.hr) and on the web-site of HANFA (www.hanfa.hr).

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

- The Supervisory Board is not composed mostly of independent members. Currently two out of nine Members are independent, but none of them are Chairperson or Deputy Chairperson of the Supervisory Board (Article 22).
- The Compensation and Nomination Committee and the Audit Committee are not composed mostly of independent members (Article 27). Out of three Audit Committee members, one is an independent member, while the Compensation and Nomination Committee has no independent members. However, the majority of Related Parties Transactions Committee Members are independent.
- The Company has not made available on its website answers to questions raised at the General Assembly (Article 82). Raised questions and answers given are planned to be published after the first General Assembly to be held in the year 2025.

Internal control and Risk management

The Audit Committee of the Supervisory Board has a key role in preparing the Supervisory Board's decisions and supervising the implementation of these decisions in relation to the controlling, reporting and audit activities within the Company and HT Group. Its principal responsibilities include:

- overseeing the implementation of internal and external audits,
- discussing specific issues highlighted by auditors or the management team, and
- ensuring the objectivity and credibility of information and of the reports submitted to the Supervisory Board.

The Audit Committee also advises the Supervisory Board on relevant topics related with audit and Company governance.

The Audit Committee is authorized to:

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

The Company Internal Audit performs an independent audit and control function on behalf of the Management Board of the Company and provides management with comprehensive reports on the findings and proposed improvements. The basis for its activities is defined by the Internal Audit Charter – a strategic document that defines the framework and then main principles of the internal audit function in the Company and HT Group.

The main tasks of Internal Audit as defined in the Internal Audit Charter are:

- Evaluating the appropriate identification and management of risks relating to the achievement strategic objectives of the Company and HT Group.
- Assessment of compliance of the actions of managers, employees, and contractors with policies, procedures, and applicable laws, regulations and go vernance standards.
- Evaluating the consistency of results of operations and programs with established goals.
- Analysing the efficiency and effectiveness of operations and programs.
- Reviewing the established processes and systems that enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Company and HT Group.
- Assessing the reliability, integrity, and accuracy of the information and means used to collect and analyse data.

A detailed description of the risk management system organization within HT is available in the chapter on Risk Management.

Significant Company shareholders

On 31 December 2024, significant Company shareholders were as follows:

- Deutsche Telekom Europe B.V. with a 53.5% holding.
- The Croatian War Veterans' Fund owning 7.0% of the shares.
- Centar za restrukturiranje i prodaju – CERP (Restructuring and Sale Centre) of the Republic of Croatia owning 2.0% of the shares.
- The company has 1.0% of its own shares.
- The remaining 36.5% of shares are owned by Croatian citizens and by domestic and foreign institutional investors.

Raiffeisen Pension Funds are investors with the largest shareholding among the private and institutional investors, holding 10.9% of shares of the Company.

An up-to-date list of the top ten shareholders of the Company is published on the Central Depository & Clearing Company website (share symbol: HT-R-A).

On the day of issuance of this Report, Management Board Members hold the following amount of Company shares:

NATAŠA RAPAIĆ **President of the Management Board and Chief Executive Officer (CEO)**	3,695 shares
MATIJA KOVAČEVIĆ **Member of the Management Board and Chief Financial Officer (CFO)**	1,644 shares
KREŠIMIR MADUNOVIĆ **Member of the Management Board and Chief Operating Officer Residential (COOR)**	1,416 shares
MARIJANA BAČIĆ **Member of the Management Board and Chief Operating Officer Business (COOB)**	1,535 shares
BORIS DRILO **Member of the Management Board and Chief Technical and Information Officer (CTIO)**	2,413 shares
IVAN BARTULOVIĆ **Member of the Management Board and Chief Operating Officer for Human Resources and Customer Operations (COO)**	2,177 shares
SINIŠA ĐURANOVIĆ **Management Board Member and Chief Corporate Affairs Officer (CCO)**	2,128 shares

Members of the Supervisory Board of the Company do not hold Company shares.

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT (continued)

Appointment of Management Board Members, their functions and amendments to the Articles of Association

Members of the Management Board, including the President, are appointed and dismissed by the Supervisory Board. Their term of office is up to five years, with the possibility of re-appointment.

The Management Board consists of between five and seven members. The current composition of the Management Board includes seven positions:

- President of the Management Board and Chief Executive Officer (CEO),
- Member and Chief Financial Officer (CFO),
- Member and Chief Operating Officer Residential (COO Residential)
- Member and Chief Operating Officer Business (COO Business),
- Member and Chief Technical and Information Officer (CTIO),
- Member and Chief Operating Officer for Human Resources and Customer Operations (COO) and,
- Member and Chief Corporate Affairs Officer (CCO).

A brief curriculum vitae of each Management Board Member can be found in the introductory part of the Annual Report.

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

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

Authorities of Management Board Members

Pursuant to the Companies Act and the Company's Articles of Association, the Management Board has the responsibility for managing the business affairs of the Company. It is required and authorised to perform all activities and pass all resolutions that it considers necessary to successfully manage the business affairs. Approval from the Supervisory Board is required for certain matters and decisions. The Company may be represented by any two Members of the Management Board jointly.

The Share Buyback Programme (hereinafter referred to as the "Programme") has been implemented since 2021 and will continue running until 2026, with the goal of acquiring 5,000,000 shares, while the maximum amount allocated to the Programme is EUR 135,000,000. The purpose of the Programme is to withdraw shares without a nominal value without reducing the share capital, thereby increasing the stake of the remaining shares in the share capital increases. A smaller part of shares will be offered to Company employees.

Within the Company`s Share Award Plan (PDD) for managers in 2024, the Company transferred 9,334 Company`s shares to Members of the Management Board, and 16,875 Company`s shares were transferred to managers below the Management Board level.

During 2024, the Company acquired a total of 803,360 Company shares on the Zagreb Stock Exchange, representing 1.03% of the Company's issued share capital. For this acquisition of shares, the Company paid out an equivalent value of EUR 28,434,294.10. The total number of Company shares held on 31 December 2024 amounted to 812,363, with a book value of EUR 28,579,125.61, representing 1.0% of the Company's issued share capital.

The composition and functions of the Supervisory Board

The Supervisory Board consists of nine members, eight of whom are elected by the General Assembly, and one is appointed by the Workers' Council. The Supervisory Board is responsible for the appointment and dismissal of Management Board Members as well as for supervising the management of the Company's business affairs. Certain matters, as major transactions and the assumption of long-term indebtedness, require the approval of the Supervisory Board, as stated within the Articles of Association of the Company.

Of the eight members elected by the General Assembly, two are independent: Mrs. Dolly Predovic, PhD, and Professor Vedran Bilas, PhD. Four members are experts in accounting and audit of the financial statements, i.e., Mr. Marc Stehle, Mr. André Lenz, Mrs. Eirini Nikolaidi, and Mrs. Dolly Predovic, PhD. A brief curriculum vitae of all Supervisory Board members can be found in the introductory part of the Annual Report.

In 2024, there were 4 sessions of the Supervisory Board and 2 decision makings out-of-session. The overall participation rate at the sessions and decision makings out-of-session was around 87%, with Supervisory Board Members either physically attending the sessions or participating in the work by tele conferencing or by video conferencing.

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

Mrs. Elvira González Sevilla, Chairwoman, Mr. Ivica Mišetić, PhD, Member, and Mrs. Eirini Nikolaidi, Member, are the members of the Compensation and Nomination Committee.

In 2024, the Compensation and Nomination Committee held three sessions and one decision making out-of-session, with an overall participation rate of Committee members at the sessions and decision making out-of-session of 100%.

Mr. Marc Stehle, Chairman, Mrs. Dolly Predovic, PhD, Member, and Mrs. Eirini Nikolaidi, Member, are the members of the Audit Committee. All three members are financial experts, and one Member, Mrs. Dolly Predovic, is independent.

In 2024, the Audit Committee held four sessions, with an overall participation rate of Committee members at sessions of around 92%.

During 2024, two independent Supervisory Board members, Mrs. Dolly Predovic, PhD, and Professor Gordan Gledec, PhD (until 20 July 2024), were the Members of the Committee for Transactions with Related Parties.

In 2024, the Committee for Transactions with Related Parties did not meet, since there were no transactions undertaken between the Company and its related parties that would require prior Supervisory Board approval, under the requirements of Article 263.b of the Companies Act.

Operation of the Supervisory Board and its Committees during 2024 is described in more detail in the Report of the Supervisory Board on performed supervision over the management of business affairs of the Company. This Report is submitted to the General Assembly together with the Annual Report and is published together with the Invitation to the General Assembly each year.

Diversity Policy and Gender Equality in Company bodies

The Company has established equal representation of women and men in Company bodies in line with the criteria proscribed by Article 272s, Paragraph 2 of the Companies Act. Of the total 16 Management Board and Supervisory Board members, five are women. In the Management Board, women hold two of seven positions, while three of nine Supervisory Board Members are women. Both the Management Board and the Supervisory Board are chaired by women.

The Company adopted the Diversity, Equity and Inclusion Policy, which is applicable to membership in all Company bodies, and to all employees of HT Group. The Policy, its goals, the way it is being implemented and the results achieved in the year 2024, are described in more detail in the Sustainability Report, which is an integral part of the Annual Report for 2024. The Policy is also published on the Company website.

Work of the General Assembly

Information on the work of the General Assembly and on shareholder's rights are provided to shareholders within the Invitation to the General Assembly which is publicly announced and released on the Company website. The Invitation contains, in addition to decision, proposals with adequate explanations, detailed instructions for participation and voting at the General Assembly, and the overview of shareholder's rights, including:

- posing questions,
- request for amendments to the agenda,
- submission of counterproposals, and,
- the right to information.

All General Assembly Decisions, together with voting results, are released on the Company website. Other information on the authorisations and the work of the General Assembly and shareholder's rights are regulated by applicable legislation and publicly available regulations.

In accordance with its responsibility for preparing the Annual Report on the Company's status and operations, the Management Board declares that this integrated Annual Report has been prepared in accordance with the Companies Act, the Accounting Act, the Capital Market Act and other applicable regulations and that, to the best of the Management Board's knowledge and belief, it contains a balanced and complete presentation of the development and results of the Company's operations and the Company's position in accordance with the scope and complexity of its operations.

MACROECONOMIC ENVIRONMENT

Economic overview

In 2024, the gross domestic product (GDP) grew by 3.8% in real terms, driven by stronger household consumption, supported by robust real wage growth, and bolstered by investments underpinned by record EU funding. Last year's GDP growth ranked as the third strongest in the euro area, which posted an average expansion of 0.7%.

From a production method perspective, the gross value added of the ICT sector recorded a real growth rate of 5.0% in 2024, outpacing overall GDP growth. In 2025, stable real GDP growth of approximately 3% is expected, driven by strong domestic demand, and supported by the recovery in goods exports expected in the second half of the year.

Following a deceleration in inflation, to 4.0% in 2024, as measured by the Harmonised Index of Consumer Prices (HICP), a further moderate decline in the average annual inflation rate to 3.5% is forecast for 2025. This is primarily due to the slowdown in core inflation. However, food and energy prices are expected to see slightly higher inflation rates, with the primary inflationary risks stemming from wage growth and geopolitical tensions, which could lead to higher energy and raw material price increases.

Employment increased by 4.0% in 2024, while the survey-based unemployment rate fell to 5.0% of the workforce. The past year was characterised by a significant rise in gross wages, which increased by 15.0% in nominal terms and 11.7% in real terms. This was largely driven by substantial public sector wage hikes, a 20% increase in the minimum wage, and, to a lesser extent, wage increases in the private sector.

In 2025, solid employment growth of around 2% is projected, with the unemployment rate expected to decline further to historically low levels. Both nominal and real wages are expected to continue rising, although at a more moderate pace compared to the previous year. Croatia continues to lead at the EU level in both employee income growth and consumer lending, while the labour cost share in GDP (49%) has, for the first time since 2010, surpassed the EU average (48%), now standing six percentage points above the Central and Eastern Europe (CEE) regional average.

In the past year, all three major credit rating agencies upgraded Croatia's sovereign credit rating to a historic high of A-/A3. This upgrade reflects continued strong real economic growth, fiscal consolidation, and the successful implementation of the National Recovery and Resilience Plan.

Standard & Poor's also assigned a positive outlook to the current ratings, highlighting Croatia's stronger-than-average real economic growth relative to the euro area in the coming years, more efficient use of EU funds, ongoing public debt reduction, and sustained growth in foreign direct investments.

Analysis of the Croatian market

Croatia's ICT sector comprises nearly 8,200 companies employing over 60,000 people, representing one of the country's key global competitive advantages. The sector accounts for 6% of gross value added (GVA), surpassing the EU and Central and Eastern Europe (CEE) averages of 5.4% and 5.2%, respectively. In terms of GVA per employee, the ICT sector has shown strong growth up to 2023, reaching 56% of the German ICT average, compared to just 27.2% in 2019. Further investment in very high-capacity networks (VHCN), increased expenditure on research, development, and innovation, with the focus on digital products, platforms, and specialised services are critical for driving continued productivity growth. At the same time, export orientation remains crucial, particularly with projected global growth in the ICT sector of 10-15% over the medium term.

The Croatian telecommunications market is highly competitive, with three convergent operators vying for market share through promotional offers across mobile, fixed, and bundled services. The deregulation of fibre-optic broadband services has further intensified competition among major telecom operators, leading to service enhancements and more favourable conditions for consumers. The competition is particularly strong in the convergent services segment, which integrates both fixed and mobile services. The rollout of 5G technology and continued expansion of fibre-optic infrastructure are pivotal for service differentiation, particularly regarding high-speed internet, TV, and mobile services, which are vital for attracting new customers.

In 2024, Croatian Telecom adjusted prices of its monthly fees in line with the 8.0% average annual inflation rate recorded in 2023. However, the adjustment was partial, at 6.5%. Aside from inflationary pressures, the price revision was necessitated by rising operating costs, particularly labour costs, and increased investments in infrastructure and service quality improvements.

The past year saw substantial investments in infrastructure and network modernisation, with a strong focus on VHCNs, 5G technology, and the migration of users to fibre-optic networks. During the year 2024, EUR 116 million was invested in VHCN networks, marking an annual growth of nearly 22%. These ongoing investments have driven an increase in VHCN connections, which now account for 45% of the total 1,147,086 broadband internet connections in Croatia's fixed network. The share of connections exceeding 100 Mbit/s continues to rise, reaching 47.2%. The migration from copper-based to fibre-optic connections has also accelerated. By the end of 2024, the number of fibre-optic broadband connections increased to 351,621, reflecting a 34.9% year-on-year growth. During year 2024, total data traffic surged by 43.4% compared to the same period in the previous year.

Total revenues from electronic communications services for 2024 amounted to EUR 1.87 billion, reflecting an 8.5% annual increase. Revenues from mobile network services grew by 8.96%, while revenues from fixed-network services increased by 7.6%.

REGULATORY OVERVIEW

Deregulation of HT's fibre-optic network in major cities of the Republic of Croatia

On 27 July 2023, HAKOM adopted final decisions on the deregulation of HT's fibre-optic network in 72 geographical units (municipalities and city districts of Zagreb) considered competitive by HAKOM. The deregulation of HT's fibre-optic network has been implemented in most of Zagreb districts, as well as in the cities of Split, Rijeka, and Osijek. HT's fibre-optic network in the rest of the Republic of Croatia, as well as HT's copper network at the national level, remain regulated.

Spectrum assignment

The public auction process for assignment of licenses for using radiofrequency spectrum in 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, and 2600 MHz frequency bands was completed on 8 March 2023. From the total offered amount of radio frequency spectrum of 2x270 MHz, HT was awarded 2x105 MHz maintaining its market leading position in terms of spectrum shares for mobile networks. The total amount achieved in the bidding procedure for the said frequency blocks amounted to EUR 135,314,598. In addition to the fee achieved in the public auction, a fee determined by the Ordinance on the payment of fees for carrying out tasks of the HAKOM is also applied for using the assigned radio frequency spectrum.

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

Ordinance on the method and conditions of accessing and using access points and physical infrastructure within residential and corporate buildings

On 29 December 2023, HAKOM adopted a new Ordinance on the ordinance on the method and conditions of accessing and using access points and physical infrastructure within residential and corporate buildings.

The Ordinance came into effect on 11 January 2024. Among other provisions, it introduced the obligation for all operators who own or hold rights to use physical infrastructure within residential and business buildings to open this infrastructure for use by other operators upon request.

In accordance with the obligations under the Ordinance, on 10 February 2024, HT published HT's offer for the use of access points and physical infrastructure within residential and corporate buildings on its official wholesale website, while the implementation of other obligations from the Ordinance is ongoing.

Decision of the Agency for Electronic Media on determining must-offer fees for transmission of free-to-air (FTA) channels with state-level concession

On 21 February 2024, the Agency for Electronic Media adopted a decision regarding the fees for paid transmission of free-to-air channels for the period from 1 January 2024 to 31 December 2028. The decision establishes new maximum monthly fees per end-user that electronic communications operators must pay to broadcasters of free-to-air television channels with national concessions. These fees apply to the paid transmission of these channels through pay-TV platforms and will be in effect until the end of 2028.

Ordinance on optical distribution networks

On 23 May 2024, HAKOM adopted a new Ordinance on optical distribution networks, which came into effect on 1 June 2024. This Ordinance introduces a new obligation for all infrastructure operators to complete fibre-optic distribution networks within three years from the announcement of the intention to construct the fibre-optic distribution network. Networks whose installation began before the new ordinance came into effect but were not yet completed, must be finished within three years of the date of effect of the ordinance.

In addition, the deadline for announcing the intention to construct a new fibre-optic distribution network has been shortened from 60 to 45 days before the start of the installation.

New regulated wholesale prices

HAKOM conducts calculations of maximum wholesale prices for the use of HT's copper infrastructure throughout the Republic of Croatia, in addition to wholesale prices for the use of HT's fibre-optic infrastructure in parts of the Republic of Croatia that remained regulated according to the decisions of 27 July 2023.

During 2024, HAKOM carried out calculations for new regulated wholesale prices for HT's services, including: unbundled local loop access, wholesale broadband access, wholesale high-quality access and access and shared use of electronic communications infrastructure (cable ducts).

The new regulated wholesale prices had, a neutral to positive impact on HT's wholesale business operations. The exception was the prices for access and shared use of electronic communications infrastructure (cable ducts), which were reduced compared to previous amounts, resulting in a negative impact.

RISK MANAGEMENT

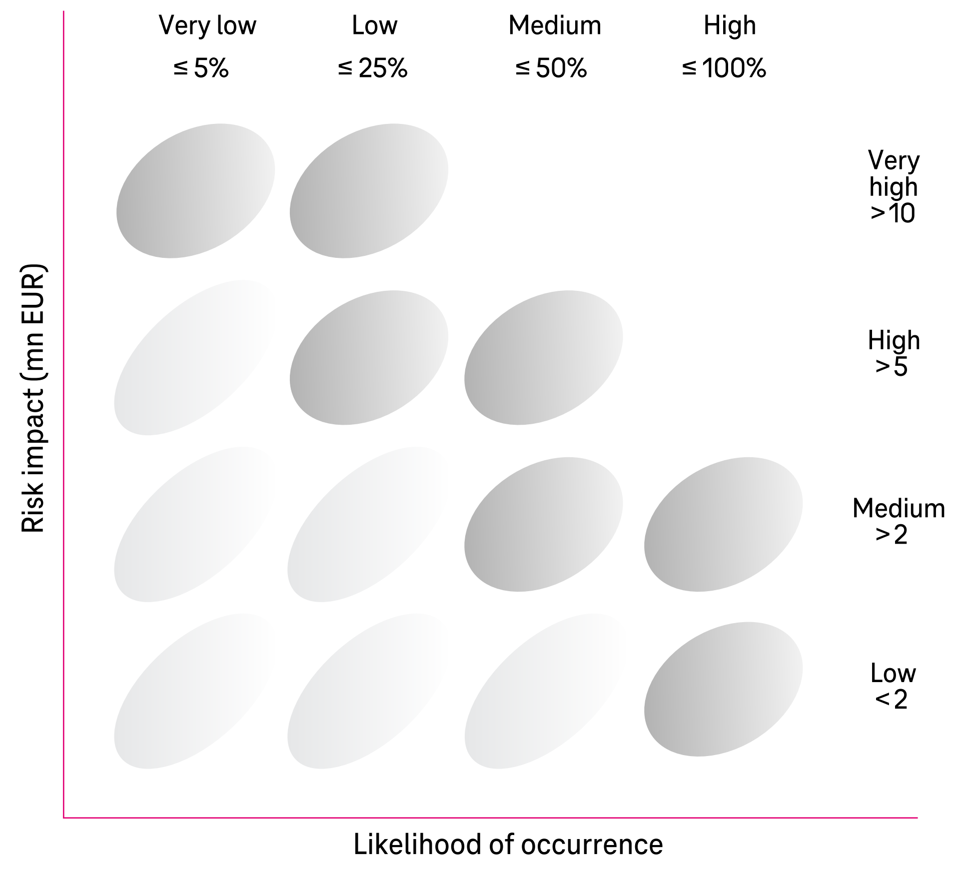
As a leading service providers in the telecommunications and information industry, HT Group operates in an environment that is facing uncertainties and changes. Effective risk management is therefore a key factor in preserving and increasing the value of HT Inc. as a company listed on the Zagreb Stock Exchange. The risk management system is based on the Risk Management Policy, which enables early identification and assessment of risks and opportunities, in accordance with strategic goals.

The risks in the industry in which HT Group operates include cyber and resilience risks, which are increasing with the development of global digitalisation and the introduction of new technologies, such as Artificial Intelligence (AI), the Internet of Things (IoT), and cloud computing. In addition to technological changes, HT Group is also facing macroeconomic and geopolitical instabilities. Moreover, constant changes in the regulatory environment require adaptation to increasingly complex legislative framework, including NIS2, Cybersecurity Act, Digital Operational Resilience Act, the EU AI Act, as well as regulation related to business sustainability, data privacy (GDPR), and other regulatory requirements.

Organisation of the Risk Management system

The Risk management system covers strategic, operational, regulatory, legal, and financial risks (*see note no. 39 of the Financial Report for a detailed overview of financial risks*). Risk identification is based on the deviation from planned Company values and/or goals, which are analysed and, consequently, risk mitigation measures are defined. The risk management culture is integrated at all organisational levels. Each risk has an owner in charge of risk processing, monitoring, and mitigation. Residual risks are monitored and periodically reported to the Management Board and the Audit Committee, ensuring transparency and control.

Quarterly risk reports include risks that exceed a defined materiality threshold, an assessment of the impact on the business result, and the probability of risk occurrence. In addition to risk mitigation measures, qualitative assessment includes an analysis of the strategic position and reputation of the Company. Significant risks are mapped on a risk matrix (Heatmap), which provides an overview of the current risk situation, thus ensuring risk trend monitoring and prioritisation (see visual below).



Risk management is based on the “Three Lines of Defense” model, where the first line includes management, who is the owner of risk and business process controls, responsible for continuous risk monitoring. The second line of defence consists of management support functions, including corporate risk management, compliance, corporate security, internal control system (ICS), data privacy, etc. The third line of defence is the internal audit, which independently assesses the effectiveness of risk management and controls and periodically reports to the Management Board and the Audit Committee of HT Inc.

In general, HT is not exposed to significant risks that could jeopardise the company's continued operations, and any changes in risk status are reported quarterly in the financial reports. For risks that could trigger a crisis procedure, a Business Continuity Management (BCM) process has been implemented, aimed at protecting business processes from disruptions caused by adverse situations.

HT SHARE

Significant challenges and opportunities in global capital markets marked the year 2024. The stabilisation of inflation in developed economies, with a gradual supply chain recovery, contributed to renewed investor trust. In parallel, fast technology development, especially in artificial intelligence, opened up new opportunities for various industries, including the telecommunications sector. This environment enabled two-digit growth in global share markets.

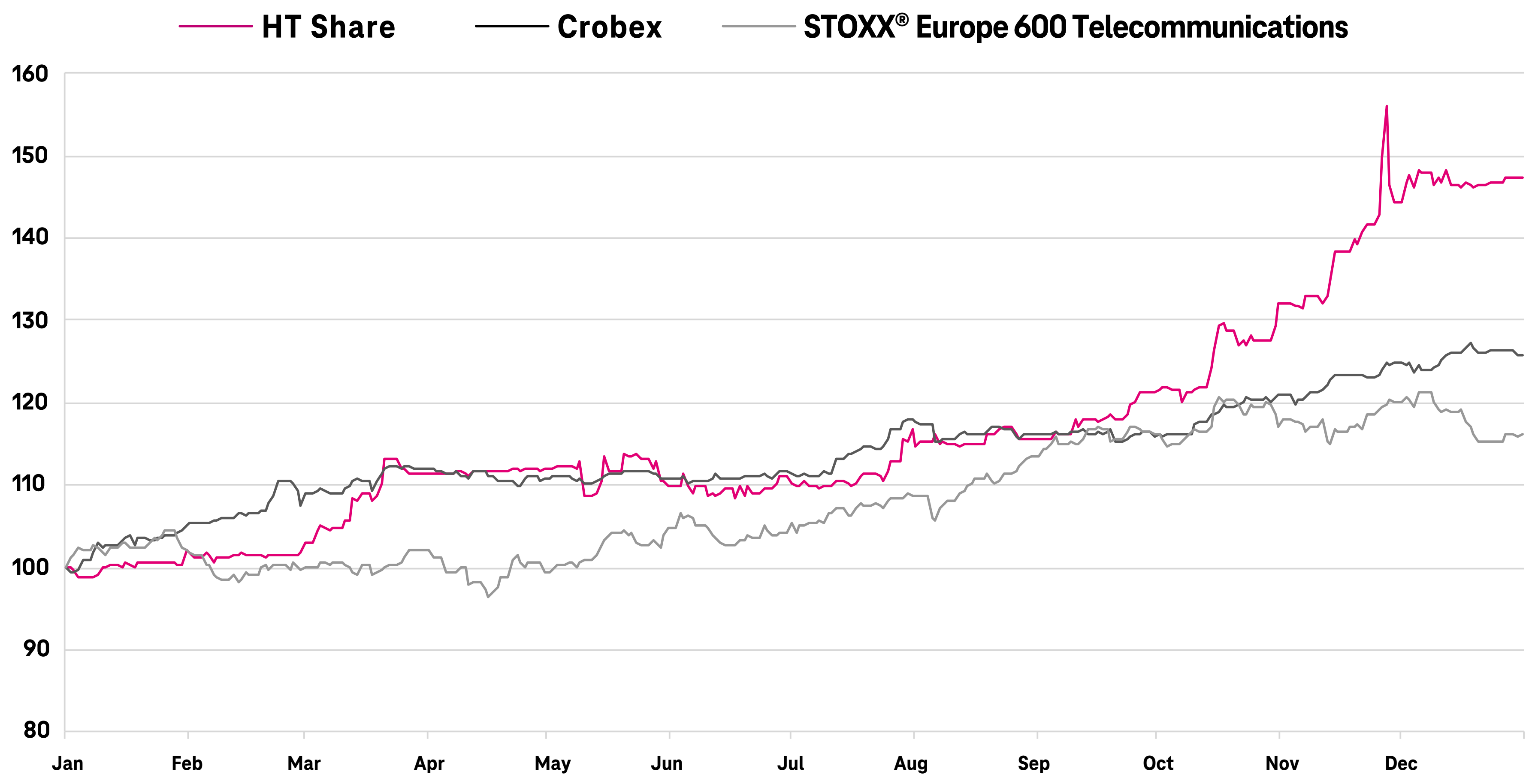
The telecommunications sector continued to record stable growth, thanks to the growing demand for faster and more reliable networks and an increased focus on digital services. The sector was still under capital investment pressure, especially in network infrastructure modernisation. However, most operators succeeded in optimising their costs via digitalisation and adjusting their business model. In Europe, telecommunications companies faced regulatory challenges, with consolidation remaining the key topic among the big players.

The Croatian capital market experienced a notable upswing, with the main share index CROBEX achieving 25.9% growth, thanks to the recovery of the economy and renewed investor trust.

The year 2024 was exceptionally successful for the performance of Croatian Telecom in the capital market, affirming its status as one of the most important share issuers listed on the Zagreb Stock Exchange. HT's share not only maintained stable performance but also achieved significant growth, going beyond its IPO level from the year 2007.

In 2024, the total shareholder return amounted to 52.9%, a record annual level after the IPO.

The share price fluctuated between EUR 26.90 and EUR 43.60 during the year, reflecting market trust and investor interest in HT's share, which outperformed both the CROBEX index and the European telecommunications index STOXX® Europe 600.



The liquidity of HT's share was evident from the high turnover, which in 2024 amounted to EUR 47.2 million, representing a 55.2% increase compared to the previous year. The share of Croatian Telecom thus became the most traded share on the Zagreb Stock Exchange.

The excellence of Croatian Telecom was recognised, and Croatian Telecom received prestigious awards from the Zagreb Stock Exchange, being listed among the top three companies in the categories "Share of the Year" and "Best Investor Relations", which additionally reaffirmed its key role in the domestic capital market.

Dividend

The dividend policy of Croatian Telecom provides for dividend payout ranging from 50% to 100% of the Company's net profit, depending on the Company's financial position and its working capital needs.

In May 2024, a dividend payment of EUR 1.53 per share was made for 2023, representing a payout ratio of 95.3% of the Company's net profit and an increase of 39.1% compared to the previous year.

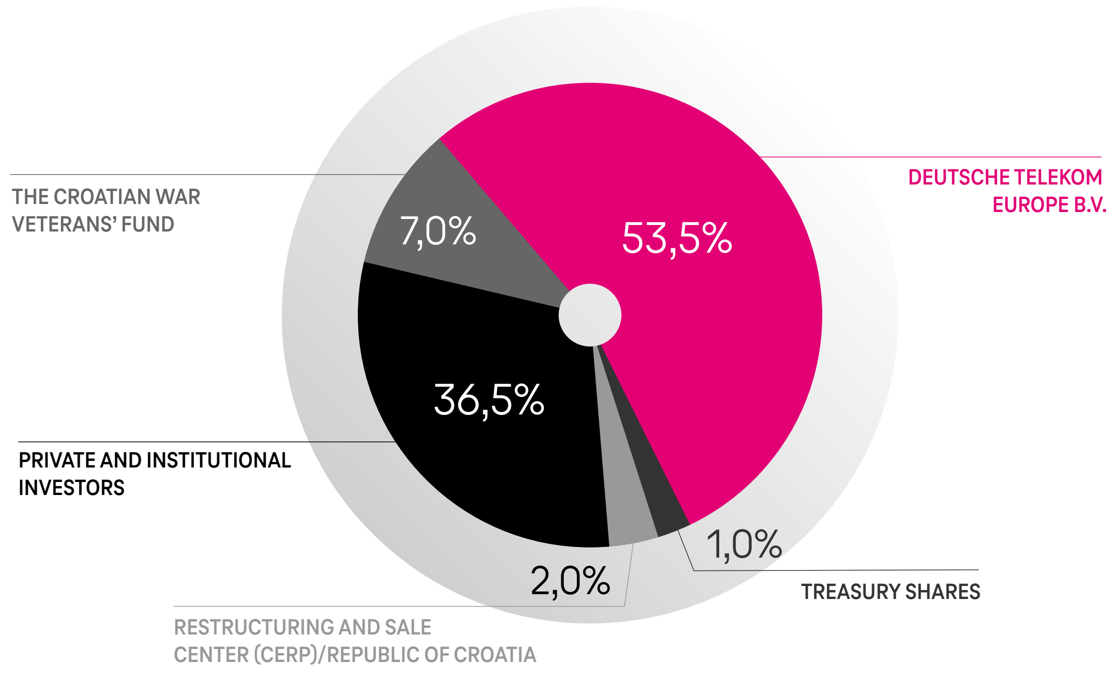
The proposal for 2024 is to pay out EUR 126.1 million, i.e. EUR 1.64 per share as a dividend, while the remaining EUR 10.7 million will be distributed to retained earnings. The General Assembly is planned for 3 June 2025; dividend payout will be made on 16 June 2025, for the shareholders registered on 9 June 2025 (*record date*). Trading in shares without dividend payment rights commences on 6 June 2025 (*ex-date*).

As of 2015, HT has been announcing a minimum dividend at the beginning of every year. For 2025, the minimum dividend of EUR 1.00 per share is expected.

Shareholder structure as at 31 December 2024

In 2024, the Company acquired 803,360 treasury shares on the Zagreb Stock Exchange in total, accounting for 1.03% of the share capital. The Company paid EUR 28,434,294.10 for this acquisition in 2024. On 31 December 2024, the Company held a total of 812,363 treasury shares, with a book value of EUR 28,579,125.61, accounting for 1.0% of the share capital.

Shareholder structure as at 31 December 2024



Total number of shares issued: 78,000,000

Financial calendar

Information about the current financial calendar is available at the link below. The stated dates are subject to change.

https://www.t.ht.hr/en/about-us/modal-financial-calendar

MAIN FINANCIAL INDICATORS OF HT GROUP AND THE COMPANY

4.1 Key financial data of HT Group and the Company

in EUR thousands	HT Group 2024	HT Group 2023	%	HT d.d. 2024	HT d.d. 2023	%
Revenue	1,101,579	1,039,335	*6.0%*	957,315	868,393	*10.2%*
Adjusted EBITDA AL	416,211	397,522	*4.7%*	374,519	354,245	*5.7%*
Adjusted EBITDA AL margin	*37.8%*	*38.2%*	*(0.4 p.p.)*	*39.1%*	*40.8%*	*(1.7 p.p.)*
EBIT	179,592	161,389	*11.3%*	166,244	153,040	*8.6%*
EBIT margin	*16.3%*	*15.5%*	*0.8 p.p.*	*17.4%*	*17.6%*	*(0.2 p.p.)*
Net profit after non controlling interests	141,869	132,029	*7.5%*	136,827	125,161	*9.3%*
Net profit margin	*12.9%*	*12.7%*	*0.2 p.p.*	*14.3%*	*14.4%*	*(0.1 p.p.)*
CAPEX AL	242,920	220,980	*9.9%*	217,891	189,027	*15.3%*
CAPEX AL / Revenue ratio	*22.1%*	*21.3%*	*0.8 p.p.*	*22.8%*	*21.8%*	*1.0 p.p.*

I. Revenue

in EUR thousands	HT Group 2024	HT Group 2023	%	HT d.d. 2024	HT d.d. 2023	%
Mobile service revenues	413,152	379,122	*9.0%*	372,903	342,562	*8.9%*
Mobile non-service revenues	193,048	177,909	*8.5%*	182,911	167,274	*9.3%*
Fixed service revenues	346,685	325,669	*6.5%*	320,523	268,140	*19.5%*
Fixed non-service revenues	65,561	78,987	*(17.0%)*	64,123	73,347	*(12.6%)*
System solutions	83,133	77,648	*7.1%*	16,855	17,070	*(1.3%)*
Total	1,101,579	1,039,335	*6.0%*	957,315	868,393	*10.2%*

Strong performance across mobile and fixed services, along with strong handset sales and expansion in System Solutions business drove continued revenue growth, which was partially offset by lower wholesale transit revenue due to changes in the business model.

I.I Mobile

Mobile KPI	HT Group in Croatia 2024	HT Group in Croatia 2023	%
Number of customers	2,477	2,336	*6.1%*
Prepaid	926	868	*6.7%*
Postpaid	1,551	1,468	*5.6%*
Blended ARPU[1]	11.2	10.7	*5.1%*
Prepaid	5.0	5.2	*(5.5%)*
Postpaid	15.1	14.2	*6.9%*

* Number of customers in thousands, ARPU in EUR

[1] ARPU includes IFRS 15 effects and has been amended to make the figure comparable to the current period

Mobile service revenue grew by 9.0%, supported by strong growth in *postpaid*, attractive *prepaid* offers, and price adjustments.

A higher number of *postpaid* customers is a result of the successful push of attractive tariffs, refreshed with new digital offer for Young (the best tariff and phone), Family offer, and new *IoT* tariff. Promotional activities, attractive handset offerings, and the introduction of new *Unlimited* tariff further supported our efforts in customers' acquisition and retention.

A higher number of *prepaid* customers is a result of the successful T Internet sim and Visitor offer, increase of the M2M customer base in the business segment, which was partially neutralized by the shrinking trend of *prepaid* market and strong competition.

Handset revenue grew significantly, driven by sales of *higher-value* devices, innovative sales models such as "Pay Less and Replace" and increase in sales of the own brand that combines affordability and quality. The "Swap and Save" initiative further reinforced this trend, encouraging device recycling, aligning with our sustainability goals.

MAIN FINANCIAL INDICATORS OF HT GROUP AND THE COMPANY (continued)

4.1 Key financial data of HT Group and the Company (continued)

I.II Fixed

	HT Group in Croatia		
Fixed KPI	**2024**	**2023**	**%**
Fixed voice mainlines - retail[1]	717	719	*(0.3%)*
Broadband access lines - retail[2]	669	661	*1.2%*
TV customers	554	539	*2.7%*
ARPU voice per user	8.1	8.0	*1.3%*
Broadband retail ARPU	15.4	14.5	*6.2%*
TV ARPU	13.1	12.1	*8.5%*
Wholesale customers[3]	171	183	*(6.7%)*

*Number of customers in thousands, ARPU in EUR

[1] Includes PSTN, FGSM, NPP (restated 2023), old PSTN Voice customers migrated to IP platform and Smart packages for business; payphones excluded

[2] Includes ADSL,VDSL, FTTH i Naked DSL

[3] Includes Naked Bitstream + Bitstream + ULL + FA + WLR wholesale rental

Fixed service revenue grew by 6.5%, driven by BB, TV, and premium data, capitalising on investment in FTTH infrastructure and *premium sport content*.

Strong growth of fixed services revenue is a result of strategic investments and customer focus. The fibre-optic network was expanded, new generation technologies introduced, and new MAXtv launched experience enriched with *premium sport content* and integrated streaming services, which additionally solidified our competitive position. Bundled offerings, combining mobile and fixed services, enhanced customer value and further drove revenue growth. The Company empowers small and medium-sized businesses to modernise their networks with SD-WAN, motivating migration with More-4-More offers. This strategic approach positions the Company for continued growth and market leadership.

The wholesale customer base decreased due to the reduced customer base on copper, caused by reductions in voice services, but was partially offset by growth of the customer base on the fibreoptic network.

I.III System Solutions

System Solutions revenue saw robust growth, driven by strong demand for our comprehensive ICT solutions, including cloud services, cybersecurity, and data analytics. We empowered businesses with cutting-edge technologies, hosted informative webinars, and facilitated customer migrations to upgraded solutions.

A key highlight was the successful “Go Live” phase of the Private 5G Campus network at the Port of Rijeka, showcasing the Company’s expertise in delivering innovative network solutions. Combis, our cybersecurity leader, continued its impactful work, including a charity campaign promoting online safety for children.

The focus on delivering customer-centric solutions and the commitment to innovation are key drivers of continued Company growth in the dynamic system solutions market.

I.IV Crnogorski Telekom

	CT		
Mobile KPI	**2024**	**2023**	**%**
Number of customers	498	478	*4.1%*
Prepaid	172	170	*1.0%*
Postpaid	326	308	*5.8%*

	CT		
Fixed KPI	**2024**	**2023**	**%**
Fixed voice mainlines - retail	100	101	*(0.3%)*
Broadband access lines - retail	85	83	*1.3%*
TV customers	83	81	*3.0%*

* Number of customers in thousands

Crnogorski Telekom (CT) achieved strong financial results across all services. Mobile revenue growth was particularly significant, driven by investments in mobile network modernisation aiming to deliver the best customer experience. Fixed service revenues also increased, driven by broadband and TV offerings that capitalised on investments in fibre-optic infrastructure, reaching 143,000 households, with a 13% YoY increase in connected customers. System Solutions revenues further contributed to growth, driven by higher demand for cloud services.

MAIN FINANCIAL INDICATORS OF HT GROUP AND THE COMPANY (continued)

4.1 Key financial data of HT Group and the Company (continued)

II. Profitability

in EUR thousands	HT Group 2024	HT Group 2023	%	HT d.d. 2024	HT d.d. 2023	%
Revenue	1,101,579	1,039,335	6.0%	957,315	868,393	10.2%
Other operating income	12,589	8,639	45.7%	11,838	8,047	47.1%
Total operating revenue	**1,114,168**	**1,047,973**	**6.3%**	**969,153**	**876,440**	**10.6%**
OPEX AL	**(713,752)**	**(663,515)**	**7.6%**	**(606,831)**	**(533,802)**	**13.7%**
Material expenses	(353,191)	(331,872)	6.4%	(290,380)	(257,724)	12.7%
Employee benefits expenses	(194,286)	(162,311)	19.7%	(142,314)	(125,954)	13.0%
Work performed by the Group and capitalised	22,335	8,408	165.6%	4,531	3,693	22.7%
Other expenses	(135,457)	(129,827)	4.3%	(130,666)	(110,839)	17.9%
IFRS 16 Depreciation	(47,828)	(43,366)	10.3%	(43,430)	(39,226)	10.7%
IFRS 16 Interest expenses	(5,325)	(4,547)	17.1%	(4,571)	(3,752)	21.8%
EBITDA AL	**400,416**	**384,459**	**4.2%**	**362,323**	**342,638**	**5.7%**
EBITDA AL margin	*36.3%*	*37.0%*	*(0.7 p.p.)*	*37.8%*	*39.5%*	*(1.7 p.p.)*
Exceptional items*	**15,795**	**13,063**	**20.9%**	**12,196**	**11,607**	**5.1%**
Adjusted EBITDA AL	416,211	397,522	4.7%	374,519	354,245	5.7%
Adjusted EBITDA AL margin	*37,8%*	*38,2%*	*(0.4 p.p.)*	*39,1%*	*40,8%*	*(1.7 p.p.)*
Depreciation (non IFRS 16 related)	**(226,149)**	**(227,617)**	**(0.6%)**	**(200,650)**	**(193,350)**	**3.8%**
EBIT	179,592	161,389	11.3%	166,244	153,040	8.6%
EBIT margin	*16.3%*	*15.5%*	*0.8 p.p.*	*17.4%*	*17.6%*	*(0.2 p.p.)*
Net financial result (non IFRS 16 related)	2,857	3,606	(20.8%)	2,635	4,196	(37.2%)
Tax provisions	(33,928)	(26,834)	26.4%	(27,481)	(28,323)	(3.0%)
Non controlling interests	(1,327)	(1,585)	(16.3%)	0	0	n/a
Net profit after non controlling interests	141,869	132,029	7.5%	136,827	125,161	9.3%
Net profit margin	*12.9%*	*12.7%*	*0.2 p.p.*	*14.3%*	*14.4%*	*(0.1 p.p.)*

* Exceptional items mainly relate to restructuring redundancy costs and legal cases

Material expenses increased primarily due to the higher cost of merchandise driven by strong handset sales, rising content costs following new FTA pricing regulations and increased costs in labour intensive services, reflecting ongoing challenges in the labour market. These increases were partially offset by lower international interconnection costs following a business model change in managing wholesale transit traffic as well as reduced energy costs. Employee benefit expenses also increased, driven by the merger of HT Servisi, and continued strategic investments in employees. Other expenses grew, largely due to higher rental and leasing costs as well as legal expenses. Persistent inflationary pressure on operating expenses was partially contained by continued transformation of the operating model and cost efficiency initiatives.

The adjusted EBITDA AL grew by 4.7% YoY, driven by strong top line performance, offsetting continuing inflationary and salary pressures.

Net profit after NCI in HT Group increased by 7.5% YoY, driven by operating performance growth.

III. Capital expenditure after leases (excluding spectrum)

in EUR thousands	HT Group 2024	HT Group 2023	%	HT d. d. 2024	HT d. d. 2023	%
CAPEX AL*	242,920	220,980	9.9%	217,891	189,027	15.3%
CAPEX AL / Revenue ratio	*22.1%*	*21.3%*	*0.8 p.p.*	*22.8%*	*21.8%*	*1.0 p.p.*
IFRS 16 CAPEX	59,078	45,409	30.1%	53,291	39,763	34.0%
Total CAPEX (Booked + IFRS 16 Capex)	301,998	266,389	13.4%	271,182	228,790	18.5%

*CAPEX AL excluding spectrum

The Capex AL increase, excluding spectrum, reflected accelerated investment in fibre-optic infrastructure, mobile rollout, and digitalisation projects.

Capital expenditures focus on key strategic areas to enhance network infrastructure and support future growth. The Company continued expanding the fibre-optic network with over 150,000 new households, a 20% YoY increase. This expansion, coupled with our participation in EU co-financed broadband development programs, solidifies our leading market position in fibre-optic network implementation.

Investments were made to maintain a high-quality mobile network experience despite a 30% increase in traffic. This was achieved through targeted capacity expansion and advanced analytics to optimise power usage. Modernization of the core network continued with the implementation of a new 5G core and the modernisation of the Online Charging ecosystem, further enhancing our cloudification efforts.

The 3G network retirement program progressed with the shutdown of 817 mobile base stations, and the Machine Learning Operations (MLOps) platform was advanced with new use cases and automation capabilities. Significant progress was made on the B2B and B2C IT transformation projects, with the launch of a “digital-only” portfolio for VSE customers and ongoing development of the OneShop and OneApp platforms.

These strategic investments in network infrastructure, technology upgrades, and digital transformation initiatives are essential for delivering innovative services, enhancing customer experience, and maintaining the competitive advantage in the rapidly evolving telecommunications landscape.

MAIN FINANCIAL INDICATORS OF HT GROUP AND THE COMPANY (continued)

4.1 Key financial data of HT Group and the Company (continued)

IV. Cash flow

	HT Group			HT d. d.		
in EUR thousands	2024	2023	%	2024	2023	%
Net cash flow from operating activities	401,024	360,514	*11.2%*	355,813	315,952	*12.6%*
Net cash flow from investing activities	(165,492)	(311,255)	*(46.8%)*	(152,553)	(290,016)	*(47.4%)*
Net cash flow from financing activities	(238,952)	(189,603)	*26.0%*	(224,956)	(174,869)	*28.6%*
Net increase/decrease of cash and cash equivalents	(3,420)	(140,344)	*(97.6%)*	(21,696)	(148,933)	*(85.4%)*

Net cash flow from HT Group's operating activities increased due to better working capital and business growth.

The decrease in cash expenditure from investment activities in 2024 is the result of an investment in the radio frequency spectrum in 2023.

The net cash expenditure from financial activities increased primarily due to higher dividend payments and share buybacks.

These developments account for the changes within both the HT Group and the Company across all three activity categories.

V. Financial position

	HT Group			HT d. d.		
in EUR thousands	2024	2023	%	2024	2023	%
Non-current assets	1,473,768	1,429,902	*3.1%*	1,476,398	1,435,871	*2.8%*
Current assets	623,356	631,594	*(1.3%)*	496,461	542,226	*(8.4%)*
TOTAL ASSETS	2,097,124	2,061,496	*1.7%*	1,972,859	1,978,097	*(0.3%)*
Capital and reserves	1,676,578	1,691,492	*(0.9%)*	1,620,524	1,670,870	*(3.0%)*
Non-current liabilities	109,392	81,366	*34.4%*	97,456	67,915	*43.5%*
Current liabilities	311,154	288,638	*7.8%*	254,879	239,312	*6.5%*
TOTAL EQUITY AND LIABILITIES	2,097,124	2,061,496	*1.7%*	1,972,859	1,978,097	*(0.3%)*

HT Group's total assets increased compared to last year due to capital investments, higher receivables from customers generated by revenue growth, and a higher volume of inventories. The growth of assets was partially offset by a lower level of cash and cash equivalents.

HT Group's capital decreased compared to last year due to share buyback and activities of cash flow hedging reported through other comprehensive income in the reporting period.

Trade payables and other liabilities increased compared to 2023 due to rising prices and a higher level of capital investments in 2024.

At the Company level, total assets were slightly lower compared to the previous year due to lower investments in subsidiaries, as a result of the merger of Iskon Internet d.d. and a lower level of cash. The decrease was partially offset by capital investments, higher receivables from customers and higher level of inventories to ensure business continuity.

The Company's capital decreased compared to 2023 due to a decrease in retained earnings as a result of the merger of Iskon Internet with the Company, share buyback, and activities of cash flow hedging.

Trade payables and other liabilities increased compared to 2023 due to rising prices and a higher level of capital investments in 2024.

OUTLOOK FOR 2025

Despite ongoing uncertainties, persistent inflationary and salaries pressures, the Company objective remains to continue its growth trajectory. Revenue is expected to increase at a low single-digit rate, with slightly higher growth in service revenues. The adjusted EBITDA AL is also expected to grow at a low single-digit rate. At the same time, we are maintaining our investment pace in fibre-optic infrastructure and digitalisation, with anticipated low-single-digit growth in CAPEX AL compared to 2024. The stance on regional expansion remains unchanged, as we diligently assess potential M&A opportunities.

	Results 2024	Outlook 2025 vs. 2024
REVENUE	EUR 1,102 million	Low-single-digit increase
ADJ. EBITDA AL	EUR 416 million	Low-single-digit increase
CAPEX AL[1]	EUR 243 million	Low-single-digit increase
REGIONAL EXPANSION	HT Group is monitoring and evaluating potential M&A opportunities	HT Group is monitoring and evaluating potential M&A opportunities

[1] Excluding spectrum

INITIATIVES, AWARDS AND RECOGNITIONS

1. The best Customer Experience - for both B2C and B2B,
2. #1 telecom brand in the market,
3. #1 mobile network - according to HAKOM, Ookla, umlaut, and customers,
4. Leading fiber (FTTH) network - the largest rollout in a single year, over 150,000 new households,
5. Leader across the entire Deutsche Telekom Europe:
   - Cloudification: more than 90% of network functions,
   - 57 business customers of the Security Operations Centre,
   - Leading position in share of chat communication.
6. Hrvatski Telekom share value - the highest since 2010,
7. HANFA recognition for corporate governance - the greatest progress YoY,
8. The only Croatian company to make the list of the World's most ethical companies - according to Ethisphere,
9. Winner of the Croatian Sustainability Index (HRIO) Award - 4th year in a row,
10. Zagreb Stock Exchange Awards in categories of “Share of the Year” and “Best Investor Relations”,
11. Call you have to take - the best international programme for corporate social responsibility and sustainability - Golden World and European Excellence Awards,
12. Tools for the Modern Times - the first scientifically based national programme for the prevention of risky online behaviour in children, over 150 primary schools included,
13. Equal Pay Champion - certificate for ensuring equal opportunities for all employees,
14. Employer Partner, Above & Beyond, Employerer Brand Awards - recognitions for the best human resources management practices,
15. Project Management Awards - award for the best medium-sized project (Rijeka Gateway).

HANFA
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Equal Pay Champion
Certified by SELECTIO Group

PROJECT MANAGEMENT AWARDS
EST. 2015

SUSTAINABILITY REPORT

CONTENT

Responsibility for the Sustainability Report

In accordance with the provisions referred to in Articles 32 and 36 of the Accounting Act (Official Gazette of the Republic of Croatia, Nos. 85/2024, 145/2024), the Management Board is responsible for preparing a consolidated Sustainability Report in accordance with the European Sustainability Reporting Standards (ESRS) and for the following:

- Preparing the disclosures in the section ("Disclosures in accordance with Article 8 of the Regulation (EU) 2020/852 (the Taxonomy Regulation)") of the consolidated Sustainability Report in accordance with the reporting requirements referred to in Article 8 of the Regulation EU 2020/852 (the Taxonomy Regulation);
- Designing, implementing and maintaining an internal controls system determined by the Management Board as required to enable the preparation of the consolidated Sustainability Report, without material errors due to a fraud or mistake; and
- Selecting and implementing appropriate sustainability reporting methods and making respective assessments and estimates about individual sustainability disclosures as may be reasonable under the given circumstances.

The Management Board is also responsible for designing and implementing a process for identifying information disclosed in the consolidated Sustainability Report in line with ESRS and to disclose this process in the section "ESRS 2 IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities" of the consolidated Sustainability Report. This responsibility includes the following:

- Understanding the context of the activities and business relations of the Group and the impacted stakeholders;
- Identifying the actual and potential impacts (both negative and positive) connected with sustainability matters as well as risks and opportunities that impact or that may reasonably be expected to impact the financial position of the Group, financial results/financial success, cash flows, access to financing or cost of capital in the short, mid and long term;
- Assessing the materiality of identified impacts, risks and opportunities connected with sustainability matters by selecting and implementing appropriate materiality thresholds; and
- Making reasonable assumptions under the given circumstances.

The Management Board approved the consolidated Sustainability Report on 25 March 2025.

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

25 March 2025

On behalf of the Group and the Company,

NATAŠA RAPAIĆ
President of the Management Board and CEO

MATIJA KOVAČEVIĆ
Member of the Management Board and CFO

BORIS DRILO
Member of the Management Board and CTIO

KREŠIMIR MADUNOVIĆ
Member of the Management Board and COO Residential

IVAN BARTULOVIĆ
Member of the Management Board and COO

SINIŠA ĐURANOVIĆ
Member of the Management Board and CCO

MARIJANA BAČIĆ
Member of the Management Board and COO Business

GENERAL INFORMATION

ESRS 2 – General disclosures

Introduction

Based on the obligations arising from the Accounting Act of the Republic of Croatia (Official Gazette of the Republic of Croatia Nos. 85/2024, 145/2024) and the Capital Markets Act of the Republic of Croatia (Official Gazette of the Republic of Croatia Nos 65/2018, 17/2020, 83/2021, 151/2022, 85/2024), the HT Group publishes its Management Report within the Annual Report of the HT Group for 2024. The Sustainability Report of the HT Group for 2024 has been prepared in accordance with the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (European sustainability reporting standards (ESRS). Information following Article 8 of the Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment (the Taxonomy Regulation) makes part of the Sustainability Report.

The Sustainability Report concerns the period from 1 January to 31 December 2024 and includes consolidated data for all companies of the HT Group included in the Annual Report 2024.

All previous HT Group sustainability reports, corporate social responsibility reports and environmental protection reports are available on the HT Group's web page: https://www.t.ht.hr/en/corporate-social-responsibility. Stakeholder opinions on sustainability and corporate social responsibility govern the management of sustainability matters. You can send any questions, comments and proposals about the contents of this Report via e-mail to drustvena.odgovornost@t.ht.hr. The Sustainability Report of the HT Group for 2024 contains information about the following sustainability factors:

- E1 – Climate change
- E5 – Resource use and circular economy
- S1 – Own workforce
- S2 – Workforce in the value chain
- S4 – Consumers and end-users
- G1 – Business conduct

The following index reflects general disclosure requirements according to the standard "ESRS 2 – General disclosures".

ESRS index according to ESRS 2 IRO-2

Basis for preparation

ESRS 2 BP-1 – General basis for preparation of the sustainability statement

The Sustainability Report of the HT Group for 2024 has been made based on consolidated data. The Sustainability Report's consolidation scope is the same as that of the Financial Statements. It covers Croatian Telecom Inc. and its affiliated companies Combis Ltd., HT Services Ltd., HT Holding Ltd. and Crnogorski Telekom A.D.

The Sustainability Report comprises own operations and HT Group's upstream and downstream value chain.

The Sustainability Report does not make avail of the possibility for exemption of information on intellectual property, know-how or results of innovation from disclosure nor does it omit disclosures of impending developments or matters of negotiation.

ESRS 2 BP-2 – Disclosures in relation to specific circumstances

Value chain estimation

Metrics of the upstream and/or downstream Value chain	Description of the basis for preparation	Description of the resulting level of accuracy
Scope 3 GHG emissions and emission factor	Due to a lack of primary data, especially concerning the upstream and downstream value chain, coupled with a lack of product-related emissions factors, estimates were used at the DT Group level to determine the GHG emissions from using products and solutions. Emissions factors per each product cannot be precisely determined. This is why an average value in the upstream value chain was used for the calculation. Since few suppliers delivered their primary data to DT, secondary statistic data were used, which is a standard industry practice.	DT uses only recognised sources from public bodies. The same applies to the usage scenarios for products and services in the downstream value chain. As a rule, secondary data is generated using a software solution for life-cycle analysis, which enables achieving a relatively high level of accuracy.
Workers in the value chain	Since the DT Group companies share many significant suppliers that are part of global value chains, the estimate of negative impacts on human rights is done at the DT level. The estimate is based on risk analysis done at the DT Group level in accordance with the German Act on Corporate Due Diligence in Supply Chains (LkSG).	DT regularly reviews the working conditions at their suppliers' production sites within its audit programmes. Within DT's due diligence processes, the communication with workers in the upstream value chain, i.e. in the supplier chain, is done via surveys. This enables the workers of DT's suppliers to anonymously provide information about their respective organisations' social and environmental conditions. The survey is primarily used to gain an impression of the working conditions at a particular site and to initiate further actions as needed, such as specific on-site reviews (the so-called "social audits") conducted by external auditors. Social audits are conducted within the sector initiative "Joint Alliance for CSR" (JAC), which comprises 29 globally active telecommunications companies, enabling the coverage of a more significant number of relevant suppliers in the supply chain.

The described estimations enable a satisfactory level of accuracy and, therefore, no measures have been planned for their future improvement.

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

Sources of estimation and outcome uncertainty

Metrics and monetary amounts whose measurement is uncertain	Information about the sources of measurement uncertainty	Assumptions, approximations and judgments in measuring
ESRS E5-4 – Resource inflows The total quantity of products and technical materials used in the reporting period: mobile telephony antennas and fibre optic cables	Since it is not practical to monitor data about the weight of mobile telephony antennas and optical fibre cables, estimates are made based on average values, extrapolations and data clustering to calculate the weight efficiently.	Concerning fibre optic cables, estimates are made based on data on the total length of the purchased cables and the average weight per unit of length. The number of antennas is multiplied by the average weight per unit to calculate the total weight of antennas.
ESRS E5-4 – Resource inflows Use of biological materials for network infrastructure build-out and maintenance	Since manufacturers do not submit any information on these metrics, a rough estimate is used.	The use of biological materials for network infrastructure build-out and maintenance is mainly limited to paper packaging, which makes an insignificant proportion of the total weight.

The overview below provides information on data incorporated by reference.

Incorporation by reference

Disclosure requirement (datapoints)	Reference, section
G1 ESRS 2 GOV-1 5a Detailed information on the composition and activities of the Management and Supervisory Board	Introduction to the Annual Report and Corporate Governance Code Compliance Report
ESRS 2 GOV-1 21c/G1 ESRS 2 GOV-1 5b Curricula vitae of members of the Management and Supervisory Board	Introduction to the Annual Report
ESRS 2 SBM-1 40b Breakdown of total turnover per other segments	Consolidated and separate financial statements 31 december 2024
ESRS 2 IRO-1 53c Risk assessment criteria	Consolidated and separate financial statements 31 december 2024
The Taxonomy Regulation Key performance indicator – Turnover	Consolidated and separate financial statements 31 december 2024
The Taxonomy Regulation Key performance indicator – Capital expenditure	Consolidated and separate financial statements 31 december 2024
The Taxonomy Regulation Key performance indicator – Operational expenditure	Consolidated and separate financial statements 31 december 2024
ESRS E1-6 46 Scope 3 GHG emissions – category 15 (investments)	Consolidated and separate financial statements 31 december 2024

Governance

ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies

HT has a two-tiered management system whose main feature is a strict division of competence between the two bodies, the Management Board and the Supervisory Board of the Company. The Management Board is in charge of managing the Company's business affairs, while the Supervisory Board's has a supervisory function. The Shareholders' Meeting is made up of shareholders of the Company. At the Shareholders' Meeting, shareholders exercise their management and property rights as well as their right to receive information.

Management Board

Under the Companies Act, HT's Articles of Association and the By-Laws on the Work of the Management Board, the Management Board manages the Company's business affairs at its own responsibility. It is obligated and authorised to take all actions and make decisions it deems necessary to manage the Company's business affairs successfully. The consent of the Supervisory Board is needed for some issues and decisions (such as significant transactions and long-term indebtedness). The Articles of Association stipulate that the Company can be represented by any two members of the Management Board jointly.

Supervisory Board

The Supervisory Board is authorised to appoint and dismiss members of the Management Board and to oversee the managing of the Company's business affairs in accordance with the Companies Act, Articles of Association of the Company and the By-Laws on the Work of the Supervisory Board. Certain major transactions and the assumption of long-term indebtedness require the approval of the Supervisory Board.

Details on the composition and activities of the Management and Supervisory Board are given in the Introduction to the Annual Report and in the Corporate Governance Compliance Statement.

Composition of the Management Board and the Supervisory Board

On 31 December 2024, the Management Board of HT had 7 members: Nataša Rapaić, President of the Management Board (CEO); Marijana Bačić, in charge of the business customers segment; Boris Drilo, in charge of technical and information functions; Siniša Đuranović, in charge of corporate affairs; Matija Kovačević, in charge of finance; Ivan Bartulović, in charge of human resources and customer support; and Krešimir Madunović, in charge of residential customers segment.

The Supervisory Board comprises 9 members. There are 8 members elected by the Shareholders' Meeting, and the Workers' Council appoints one member as the workers' representative. Out of 8 members elected by the Shareholders' Meeting, two are independent – Dolly Predovic, PhD, and Prof Vedran Bilas, PhD. The Workers' Council appointed Viktor Vanek as Supervisory Board member and the workers' representative, with the commencement of his term of office from 1 July 2024.

Short curricula vitae of the Management and Supervisory Board members are available in the Introduction to the Annual Report.

The following table shows the gender diversity of the Management Board and the Supervisory Board of the HT Group.

Percentage of women on the Management Board and the Supervisory Board

percentage (%)	31.12.2024.
Percentage of women on Management Board	29
Percentage of women on the Supervisory Board	33
Total on the Management and Supervisory Board	**31**

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

The percentage of independent members on the Supervisory Board is 22%. HT has a two-tier board system and the number of independent Management Board members corresponds to the number of independent members on the supervisory body.

Composition of HT's Management and Supervisory Board

Management Board	Supervisory Board
Nataša Rapaić	Elvira Gonzalez Sevilla
Marijana Bačić	Ivica Mišetić, PhD
Ivan Bartulović	Viktor Vanek
Boris Drilo	Dolly Predovic, PhD
Siniša Đuranović	Marc Stehle
Matija Kovačević	Eirini Nikolaidi
Krešimir Madunović	Prof Vedran Bilas, PhD
	Jonathan Abrahamson
	André Lenz

The Management Board is the highest administration body that evaluates and manages the impact of business activities of the HT Group on society and the environment, as well as the risks and opportunities identified in the double materiality assessment. The Supervisory Board oversees and gives recommendations to the Management Board concerning implementing the Sustainability Strategy and managing material impacts, risks and opportunities. The Management Board and the Supervisory Board adopt the Annual Report; the Sustainability Report makes an integral part of it. To ensure the lawful, compliant and appropriate discharge of its duties, the Supervisory Board has established three committees that perform their respective activities: the Audit Committee, the Compensation and Nomination Committee and the Committee for Transactions with Related Parties.

The Management Board adopts regulations and strategic guidelines concerning sustainability matters at the HT Group level. HT Group Policy on Corporate Responsibility assigns executive responsibility for sustainability-related matters to HT's Management Board. Representatives of business units regularly report to the Management Board on the status and progress of the Sustainability Strategy and the status of objectives and respective measures. The Management Board is informed about sustainability metrics at dedicated meetings between the Management Board and a broader management team and, if necessary, at regular weekly Management Board meetings.

The HT Group Policy on Corporate Responsibility has formally established the roles of a central corporate responsibility coordinator (CR Manager) and a corporate responsibility controller (CR Controller) appointed by the Management Board. The CR Manager is a central point of contact for sustainability matters at HT. This role supports the Management Board in implementing the sustainability strategy and planning and coordinating corporate responsibility activities. The CR Controller's task is to collect and consolidate key performance indicators concerning corporate responsibility. Both roles are crucial in supporting the Management Board in independently reporting on HT Group's sustainability and reporting on corporate responsibility as part of the DT Group.

Procedures, controls and protocols for tracking, managing and overseeing impacts, risks and opportunities concerning sustainability matters are part of the corporate risk management process at the HT Group level. The corporate risk management process, including sustainability-related risks, is conducted in line with DT's Risk Management Policy and is part of an integrated risk management system at the DT Group level. Implementing this multi-level system enables an early detection and assessment of risks and opportunities compared to the strategic goals of the HT Group. Measures for managing and controlling risks and opportunities are then implemented according to the early detection and assessment results.

All DT Group companies apply a standardised process and use an IT tool for risk management (Telekom Risk Management Solution) for quarterly risk reporting, where risks are assessed quantitatively and qualitatively versus set business goals based on a predefined methodology. Through an annual assessment, we examine already identified risks and gain an overview of emerging risks within the DT Group. Key stakeholder groups participate in this process, and HT experts participate in various working groups and committees to manage control processes for risk prevention and mitigation. The risk management system includes quarterly risk assessments, based on which combined quarterly risk reports are made, including topical risk analyses and risk management measures. In addition to assessing strategic, financial, operational, regulatory and legal risks, all risks in HT Group's quarterly risk report are further reviewed in terms of the ESG classification of environmental, social and governance risks. Managing recognised risks within the Company depends on the type and level of significance of a risk's impact on key business indicators, which the respective managers of organisational areas manage. The system identifies potential risks that may affect the HT Group within a defined risk acceptance framework and provides reasonable assurance of achieving the Company's goals. The Corporate Risk Committee, an independent body that supports HT's Management Board in overseeing the risk management system and processes at regular intervals, is also part of the risk management function. The HT Group Risk Report is quarterly submitted to HT's Management Board, the Audit Committee and the Supervisory Board.

The ESG process risk is documented and tested every year through an internal control system (ICS) in line with DT's ICS methodology, with the participation of management, internal audit and independent third parties.

The Supervisory Board sets corporate goals annually, among others, relating to significant impacts, risks and opportunities concerning sustainability matters. It also monitors and assesses the achievement of these goals. HT's Supervisory Board is regularly informed about the Sustainability Strategy, its implementation and key performance indicators. These contents are included in the information about business operations that the Supervisory Board takes on notice quarterly or more often, if necessary.

Respective HT Management Board members, taking into account their scope and responsibility, have key competences in their area of responsibility for environmental, social and governance matters defined by the Sustainability Strategy of the HT Group, which have been described in more detail under the section "ESRS 2 SBM-1 – Strategy, business model and value chain".

AREAS OF RESPONSIBILITY OF HT MANAGEMENT BOARD MEMBERS

ESG					
CEO					
Environment (E)			Society (S)		Governance (G)
Electricity	GHG emissions	Resource efficiency	Working environment	Digital inclusion	Corporate governance
CTIO	CFO	COO Residential / COO Business	COO	COO Residential / COO Business	CCO

Considering that HT's governance system implies a division of responsibility according to management levels, lower management levels also have all necessary competencies to successfully manage the ESG areas for which they have been charged and for providing support to the respective Management Board member. Management Board members have a direct access to experts with all necessary competencies concerning identified significant impacts, risks and opportunities.

Supervisory Board member and Chairman of the Audit Committee, Marc Stehle, also has the role of Vice President for Financial Controlling and Corporate Responsibility for Europe at Deutsche Telekom. This role enables him to have a special expertise and extensive experience in sustainability matters that affect the business operations of the Company. As Audit Committee's Chairman, he oversees the sustainability reporting of the HT Group, ensuring compliance with the requirements relating to competences for sustainability factors in line with legal provisions and ESRS requirements.

At HT, the administrative and management bodies have continuous access to expert knowledge and skills in various sustainability areas and the Management Board members are regularly informed about sustainability topics in their area of competence. The most important platform for information is Level UP, an e-learning platform specialised for developing managerial competencies that offers a series of contents related to management, the DT Group strategy, human resources and processes management and ensuring equal opportunities for all. These are some of the contents that were available on this platform in 2024:

- “Leading Digital Telco – All you need to know about strategy”
- “AI Hub page”
- “Learn together, give together” (growth and humanitarian initiatives)
- “Radical Transparency”
- “Telekom Leadership Anchors – guidance through 6 guiding principles” (HT’s guiding principles)
- “Diversity, Equity & Inclusion Learning Offers”

In a series of activities carried out at HT, ranging from written announcements to in-person events, employees at all organisational levels at HT have access to the know-how and skills relating to sustainability matters. The specialised intranet page for education “Diversity, Equity and Inclusion”, various leadership programmes, mandatory managerial training “Ethical Leadership”, various internal training, “Security Day”, etc. serve as an example of this.

CR Manager and CR Controller support the Management Board in managing, monitoring and reporting on sustainability matters. More info about CR Manager and CR Coordinator roles is available under the section “ESRS 2 GOV-2 Information provided to sustainability matters addressed by the undertaking's administrative, management and supervisory bodies”.

ESRS 2 GOV-2 – Information provided to sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies

As described under the section “ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies”, the Management Board is informed on the sustainability matters at the meetings of the Management Board and a broader management team. Before finalising the double materiality assessment, the Management Board received information of the status of the double materiality assessment process at a Management Board meeting.

Before publishing the Sustainability Report of the HT Group for 2024, a representative of the Workers’ Council received information about sustainability matters and how this information is collected and checked. The Works Council was asked to provide a written opinion, which was subsequently submitted to the Supervisory Board. As described under the section “ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies”, the Sustainability Report is adopted by the Management and the Supervisory Board.

In 2024, the Management and Supervisory Board addressed all material impacts, risks and opportunities. A list of material impacts, risks and opportunities is contained in disclosure requirements “SMB-3” of the respective topical standards.

ESRS 2 GOV-3 – Integration of sustainability-related performance in incentive schemes

Supervisory Board remuneration

The remuneration of the Supervisory Board members has been determined in accordance with the Resolution of the Shareholders’ Meeting on remuneration of members of the Supervisory Board and was last approved at the Shareholders’ Meeting of the Company held in 2024. The Resolution of the Shareholders’ Meeting and the Remuneration Report are available on the Company’s web pages at the following link: https://www.t.ht.hr/en/investor-relations/report-of-remuneration.

The remuneration of a Supervisory Board member depends on the role that the member has in the Supervisory Board as well as on the respective tasks within other boards or committees of the Supervisory Board. It is governed by the average monthly net salary of the employees in the Company paid in the preceding month.

The remuneration of the Supervisory Board members does not include a variable part and it is therefore not influenced by the Company’s result in a previous or future period.

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

Management Board remuneration

The remuneration and evaluation of the work performed by the Management Board have been conducted in accordance with the Remuneration Policy for Members of the Management Board that was adopted by the Shareholders’ Meeting of the Company in 2023. The Company, once a year, submits to the Shareholders’ Meeting the Report on Remuneration Paid to the Members of the Supervisory and Management Board in the Previous Year. The Remuneration Policy and the above-stated Report are available at the Company’s web pages at the following link: https://www.t.ht.hr/en/investor-relations/report-of-remuneration for 10 years as of their adoption.

The annual target salary of Management Board members consists of a fixed basic yearly salary and a performance-related variable component, the so-called Short-Term Incentive (STI). The STI rewards the achievement of collective targets over an annual period.

The compensation system also encompasses long-term compensation elements – the Long-Term Incentive (LTI), the EU Game Changer Incentive Programme and a Share Matching Plan (SMP) that can – be awarded on top of the target salary as a voluntary long-term compensation instrument allowing participation only if targets from the Short-Term Incentive Plan are achieved at a minimum of 100%.

The Company’s Share Award Plan (PDD) was also launched. This is a voluntary compensation tool under which a member of the Management Board can choose HT shares instead of a pay-out of a certain percentage of the Short-Term Incentive (STI) achieved for the previous year.

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

Individual compensation packages can include fringe benefits: company car, accommodation cost, pension fund, scholarship for children and other non-cash benefits and services, depending on the individual circumstances of the person in question, which are regulated by the contract that the respective Management Board member enters with the Company.

The remuneration for the work of the Supervisory Board members comprises solely a fixed base remuneration, remuneration for their work in committees and remuneration for participation, while the remuneration system for Management Board members, besides with the base remuneration, includes one-year and multi-year variable components. The achievement of the variable components depends on financial and non-financial performance criteria. The below paragraph will focus only on the non-financial performance indicators of variable Management Board remuneration instruments.

The one-year variable remuneration includes non-financial performance indicators concerning the environment, i.e. “energy consumption” and “CO_2 emissions” (Scope 1 and 2). They constitute 20% of the target amount, with each indicator carrying 50% of the value. Based on the corporate plan, the Supervisory Board sets the target and border values for these indicators. A target value of 100% corresponds to the budgeted value from the plan. Each goal can be achieved in a range from 0% to 150%.

Programmes and investments in energy efficiency measures for all energy sources, infrastructure optimisation and new innovative technological solutions support the goal of reducing energy consumption.

The goal of reducing CO_2 emissions relates to electricity consumption from renewable sources, optimisation of consumption in buildings and a gradual conversion of the HT Group’s fleet from vehicles with internal combustion engines using fossil fuels to vehicles with zero or low emissions.

Within the performance-related variable component (Short-Term Incentive) for Management Board members, the Supervisory Board also included social non-financial performance indicators in the remuneration system – customer satisfaction and employee satisfaction. The aim is to ensure that the Management Board appropriately represents the interests of both customers and employees.

Two performance indicators, i.e. customer satisfaction and employee satisfaction, jointly constitute 25% of the strategic goals set for 2024. Management Board members can achieve a ratio of goal achievement ranging between 0% and 150%.

The globally recognised TRI*M methodology (TRI*M = Measure, Manage, Monitor) is used to measure customer satisfaction.

Employee satisfaction is measured by regular employee surveys conducted during the year.

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

ESRS 2 GOV-4 – Statement on due diligence

The following table gives an overview of how and where the Sustainability Report takes into account the most important aspects and steps of the due diligence process.

Overview of main aspects and steps of the due diligence process in the Sustainability Report

Core elements of due diligence process	Sections in the Sustainability Report	ESRS standard
Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies ESRS 2 GOV-3: Integration of sustainability-related performance in incentive schemes ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2, E1, E5, S1, S2, S4, G1
Engaging with affected stakeholders in key steps of the due diligence process	ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies ESRS 2 SBM-2: Interests and views of stakeholders ESRS 2 IRO-1: Description of the processes to identify and assess material impacts, risks and opportunities ESRS E1-2 – Policies related to climate change mitigation and adaptation ESRS E5-1 – Policies related to resource use and circular economy ESRS S1-1 – Policies related to own workforce ESRS S2-1 – Policies related to value chain workers ESRS S4-1 – Policies related to consumers and end-users ESRS G1-1 – Business conduct policies and corporate culture	ESRS 2, E1, E5, S1, S2, S4, G1
Identifying and assessing adverse impacts	ESRS 2 IRO-1 (including disclosure requirements related to specific sustainability matters in the relevant ESRS topical standards) and ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2, E1, E5, S1, S2, S4, G1
Taking action to address those adverse impacts	ESRS E1-3 – Actions and resources in relation to climate change policies ESRS E5-2 – Actions and resources related to resource use and circular economy ESRS S1-4 – Taking action on material impacts on own workforce and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions ESRS S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions ESRS S4-4 – Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions and approaches ESRS G1-3 – Prevention and detection of corruption and bribery	E1, E5, S1, S2, S4, G1

Overview of main aspects and steps of the due diligence process in the Sustainability Report

Core elements of due diligence process	Sections in the Sustainability Report	ESRS standard
Tracking the effectiveness of these efforts and communicating	Objectives ESRS E1-4 – Targets related to climate change mitigation and adaptation ESRS E5-3 – Targets related to resource use and circular economy ESRS S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities ESRS S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities ESRS S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities Key performance indicators ESRS E1-5 – Energy consumption and mix ESRS E1-6 – Gross Scope 1, 2, 3 and Total GHG emissions ESRS E5-4 – Resource inflows ESRS E5-5 – Resource outflows ESRS S1-6 – Characteristics of the undertaking's employees ESRS S1-8 – Collective bargaining coverage and social dialogue ESRS S1-9 – Diversity metrics ESRS S1-14 – Health and safety metrics ESRS S1-16 – Compensation metrics (pay gap and total compensation) ESRS S1-117 – Incidents, complaints and severe human rights impacts	E1, E5, S1, S2, S4

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

ESRS 2 GOV-5 – Risk management and internal controls over sustainability reporting

Information on risk management and internal control of sustainability reporting are part of the general processes of risk management of the HT Group. As described in more detail under the section "ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies", all risks referred to the quarterly risk report of the HT Group are additionally reviewed in terms of the ESG classification into the environmental, social and governance risks.

Strategy

ESRS 2 SBM-1 – Strategy, business model and value chain

The Sustainability Report of the HT Group for 2024 relates to business activities on the markets of the Republic of Croatia and Montenegro. The HT Group is the leading provider of telecommunications services in Croatia, offering fixed and mobile telephony services, as well as wholesale, internet and data services. In Montenegro, it offers a full range of fixed and mobile telecommunications services (voice services, internet, TV, integrated services, leased lines, data networks, ICT and cloud solutions).

Headcount by geographical areas

headcount	31.12.2024.
Republic of Croatia	5,271
Rest of the world	480
Total headcount	**5,751**
- of which: Montenegro	447
- of which: other countries	33

Breakdown of total turnover by significant ESRS sector – HT Group

EUR thousand	2024	2023
Turnover from mobile services	413,152	379,122
Other mobile turnover	193,048	177,909
Turnover from fixed services	346,685	325,669
Other fixed turnover	65,561	78,987
System solution	83,133	77,648
Segment turnover	**1,101,579**	**1,039,335**

For breakdown of turnover per other segments, please see Note 4 "Turnover from core activity and information about segments".

The HT Group does not operate in the sector of fossil fuels, chemical production, controversial weapon and growing and manufacturing tobacco.

Sustainability-related goals

No.	Goal	Scope
1	**Environment**	
1.1	Climate change	
1.1.1	Continuous goal, procuring 100 percent electricity from renewable energy sources	HT Group
1.1.2	As part of DT Group, net zero greenhouse gas emissions for direct and indirect energy consumption within the organisation (Scope 1 and 2) by 2025	HT Group as part of DT Group
1.1.3	As part of the DT Group, by 2030 cut greenhouse gas emissions in the value chain (Scope 1-3) by 55 percent compared to 2030	HT Group as part of DT Group
1.1.4	As part of the DT Group, climate neutrality, with total carbon footprint neutralisation (Scope 1-3) by 2040	HT Group as part of DT Group
1.2	Resource use and circular economy	
1.2.1	Continuous goal, recycling 100% of HT Group's technological waste	HT Group
2	**Social aspects**	
2.1	Own workforce	
2.1.1	Continuous goal, maintaining the percentage of women in management positions at 40%	HT Group
2.2	Consumers and end-users	
2.2.1	By the end of 2025, achieve a 25% coverage of the total rural area of the Republic of Croatia with 5G network	HT
2.2.2	By the end of 2027, achieve a 50% coverage of the total rural area of the Republic of Croatia with 5G network	HT

Sustainability Strategy of HT Group

The Sustainability Strategy of the HT Group reflects the HT Group's ambition to be a digital and sustainable telecommunications company which creates value for all its stakeholders – customers, employees, shareholders, partners and the entire society. A long-term vision of sustainability is a part of HT Group's business strategy aimed at the realisation of sustainable and profitable growth by connecting everyone with digital opportunities.

As a socially responsible company, HT integrates and systematically implements all three ESG dimensions in its business operations and takes them into account when adopting strategic decisions. The HT Group's approach to sustainability is based on three cornerstone areas: climate change, resource efficiency and digital inclusion, with a focus on efficient resource use, reduction of GHG emissions and creating a better future for all.

Climate change

Already witnessed climate change consequences and future potential increasingly unpredictable and devastating impacts of weather disasters connected with the non-sustainable use and consumption of non-renewable energy sources, pose a grave danger to eco-systems and entire humanity alike, and threaten to inflict physical damage on infrastructure and harmful effects on the economy. Digitalisation has the potential to accelerate the necessary transition towards a low-carbon economy and change the course of events towards a more sustainable future. Having recognised the severity and urgency of the situation, HT's dedication to climate change mitigation is included in our corporate strategy by setting science-based goals for GHG emission reduction, which was adopted by all DT Group members. DT Group's climate goals, in whose implementation the HT Group participates, reflect the direction of the European Green Deal and were approved by the Science Based Targets Initiative (SBTi), which confirms their alignment with the Paris Agreement goals.

Resource efficiency

The linear economy model based on the singular use of materials has led to unsustainable levels of consumption of natural resources that, in addition to threatening the stability of ecosystems, create an increasing challenge for companies in terms of the availability of raw materials. In response to this challenge, business models based on the principles of the circular economy, enabling a more sustainable approach to business, are increasingly being applied. At the HT Group, we take a holistic approach to the responsible use of resources and implementing circular principles. Through strategic, proactive, and preventive action, the HT Group strives to reduce waste generation by carrying out maintenance, repairs and renovation of equipment, while reusing materials that can be used as valuable resources. In doing so, HT recycles waste and materials in an environmentally responsible manner, which mainly refers to waste generated during the construction, replacement and modernisation of network infrastructure. HT Group's ambition is to achieve full circularity of technology and devices along the entire value chain, which will enable the reuse of materials. To this end, the HT Group applies different approaches, introduces new offers and develops cooperation with different stakeholders, including HT's suppliers and customers to find joint opportunities and enable circular business models.

Inclusion, with a focus on digital inclusion

The social component of HT Group's sustainability strategy is focused on relationships among employees, relations with customers, suppliers and the community. The HT Group in Croatia strives to have a positive impact on society, connecting everybody in Croatia with the opportunities that digitalisation provides, promoting equity, inclusion and diversity in building a better future. Digital inclusion reflects HT Group's belief in the power of digital technology to improve everyone's lives and be a catalyst for positive change. By fostering digital inclusion, the HT Group wishes to empower individuals and groups and, through removing digital barriers such as unavailability of technology, knowledge and skills, reduce the digital divide and create a more equal, connected and safer digital world for all.

Sustainability and responsibility are an integral part of HT Group's approach to corporate governance. The backbone of good corporate governance of the HT Group is the implementation of the highest business standards and exemplary corporate governance practices. Integrity, ethical conduct, compliance with the principles of data protection and safety, fostering an integral corporate compliance system and risk management, accepting key premises of digital responsibility, respect of human rights, creating sustainable procurement chains and transparent communication on activities concerning the environment and social corporate responsibility are the basic guidelines in HT's everyday business.

As a leader in digitalisation, the HT Group sets new and ever-increasing goals within the industry, encourages the development of a knowledge society and opens up new opportunities for individuals, companies and society, adhering to the highest ethical standards that have been incorporated into the corporate culture.

Value chain of HT Group

As part of the DT Group, the HT Group is part of global value chains. Direct cooperation of the HT Group with domestic and international suppliers in the Republic of Croatia includes the procurement of the following key products and services: telecommunications infrastructure equipment and services, IT services, ICT integration services, delivery, service platforms production and maintenance, mobile devices, media contents, postal services, energy sources, electricity and facility maintenance. HT regularly engages agency employees through contracted agencies. The most significant groups of products and services that Crnogorski Telekom procures in Montenegro are infrastructure equipment and services, construction works, IT services, service platforms production and maintenance, customer devices, postal services and marketing agency services and it also employs agency workers.

VALUE CHAIN OF HT GROUP

HT provides a wide spectrum of fixed broadband network products and services, mobile communications, internet, IPTV and data transfer services between devices (M2M). The HT Group also provides integrated information and communication technology solutions (ICT) for business and corporate customers and data transfer services (leased lines, Metro-Ethernet, IP/MPLS).

ESRS 2 SBM-2 – Interests and views of stakeholders

External evaluation of HT's sustainability practices and the identification of issues that affect HT's stakeholders is an important part of HT's sustainability management. Therefore, HT has a years-long tradition of conducting in-depth interviews with external experts who know HT Group's business well and can provide an informed opinion on HT Group's sustainability practices. In 2023, HT updated its stakeholder map to gain an in-depth understanding of its business ecosystem along the value chain and prepare for the obligation to conduct the due diligence process. In assessing which stakeholders are relevant, we took into account the nature of the relationship, the assessment of the attitudes and behaviours and the frequency and the way of communication with these stakeholders. More than 200 individual stakeholders or stakeholder groups have been identified that are important for the sustainable business operations of the HT Group and they have been grouped into the below-stated groups.

HT Group stakeholders

- Owners, shareholders and investors
- Financial and credit institutions

- Employees
- Unions

- Customers
- Business partners and business community
- Suppliers
- Interest and expert associations

- Regulatory bodies
- State administration bodies
- Local and regional government

- Financial analysts
- Auditors and certification bodies
- Media
- Civil society associations
- Academic and scientific community
- Educational institutions

Regular discussions with external expert representatives of significant stakeholder groups include an assessment of the impact of the HT Group on the people and environment in the entire value chain. In 2024, these discussions were expanded by including the impacts of sustainability aspects on the business of the HT Group, which were recognised earlier and connected with the strategy and business model. This type of regular stakeholder inclusion is a valuable source of information about the improvement of sustainable business operations and is also an opportunity to learn which areas need more attention in the future. Every year, we take care to include individuals and organisations that may provide an informed opinion on the current topics of joint interest.

Information on additional channels for collecting information about the interests of the stakeholders and the way how the administrative, management and supervisory bodies have been informed about the opinions and interests of the affected stakeholders were published in the respective ESRS topical standards. As described under the section “ESRS 2 GOV-3 – Integration of sustainability-related performance in incentive schemes“, the information about employee satisfaction and customer satisfaction has been included in the remuneration system to ensure that the Management Board appropriately represents the interests of both customers and employees.

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

Significant impacts of the HT Group on society and the environment that are related to sustainability and their interaction with HT's strategy and business model have been described under the respective ESRS topical standards. The HT Group reports on its significant impacts, risks and opportunities and discloses information on policies, targets, actions and metrics related to managing them.

The HT Group continuously reviews the current and expected impacts, risks and opportunities concerning its strategy, business model, value chain and decision-making, reviews their interaction and develops respective measures. Neither the identified impacts, risks and opportunities nor the undertaken and planned measures have caused a change to HT's strategy or business model in the reporting year.

The HT Group wishes to facilitate the efficient use of resources, reduce GHG emissions and create a better future for all through new technologies, innovative ideas and offering more sustainable digital solutions.

The actual and potential impacts on various stakeholders, that are reported in accordance with the topical standards "ESRS S1 – Own workforce", "ESRS S2 – Workers in the value chain" and "ESRS S4 – Consumers and end-users" follow from either HT's strategy or business model (ESRS S1) or are connected with them through procurement of equipment (ESRS S2) and our focus on continuous network build-out (ESRS S4).

All material negative impacts on affected stakeholders, which we have identified through the double materiality perspective, are systemic; they are not connected to separate incidents or specific business relationships of the HT Group.

Along with reporting on how we address material impacts, which HT has been doing for 20 years, the Sustainability Report of the HT Group for 2024 discloses material risks and opportunities arising from the impacts and dependencies concerning various interest groups within social topical standards. Material risks related to own workforce have not been identified.

HT has established a business continuity system according to ISO 22301:2019 standard, which ensures that there are no interruptions in business operations in case of adverse events. Implementing the business continuity management system ensures that HT can provide continuous support to its customers even in the most challenging situations.

The table below gives an overview of impacts, risks and opportunities for which HT Group-specific indicators have been used.

Entity specific disclosures

Impacts, risks and opportunities	Entity specific disclosure	Reference
IRO E1-I5 Energy inefficiency and data centres energy consumption	KPI energy intensity	ESRS E1-5 – Energy consumption and mix
IRO S4-I3 Continuous network build-out enabling accessibility even in rural areas, which positively impacts customers and end-users in crisis situations	Number of customer units	ESRS S4-4 – Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions and approaches
IRO S4-I3 enabling accessibility even in rural areas, which positively impacts customers and end-users in crisis situations	Coverage of the total rural area of the Republic of Croatia with 5G network	ESRS S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Impact, risks and opportunity management

ESRS 2 IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities

To determine the scope of the Sustainability Report of the HT Group for 2024, i.e. material impacts, risks and opportunities, a double materiality assessment has been conducted. On the one hand, the double materiality assessment aimed to identify any actual and potential impacts on society and the environment caused by the HT Group's business activities and relationships along the entire value chain. On the other, gaining an integral overview of the financial risks and opportunities for the HT Group that arise from managing our sustainability matters was also important.

To determine the scope of the double materiality assessment, a contextual analysis including the following was taken into account: analysis of the competition, analysis of the results of previous independent evaluations of the materiality of HT Group's impacts and the double materiality assessment of the DT Group, analyses and results of the assessment of impacts in the value chain conducted at the DT Group level when compiling the Sustainability Strategy. We also took into account the processes performed for the preparation to report in line with the requirements of the Corporate Sustainability Reporting Directive (CSRD), the analysis of the trends in the telecommunications industry, the latest events and regulatory changes in sustainability at the local, European and global level as well as economic circumstances and the business operations of the HT Group.

The double materiality assessment was carried out in 2023 and 2024. It included an evaluation of the impacts, risks and opportunities concerning the strategy and business model of the HT Group, considering an analysis of the context and sources and the results of the conducted materiality assessment of the impacts in compiling the Sustainability Report of the HT Group for 2023. In 2023 and 2024, in-depth interviews were conducted with representatives of owners, regulatory bodies, interest and expert associations, trade unions, local and regional government, suppliers, civil society organizations, and the academic and scientific community. Among them were experts who are well acquainted with the operations of the HT Group and the impacts on employees, customers, and groups defined by the HT Group's Code of Human Rights as groups that may be positively or negatively affected by HT's business activities. The interviews conducted at the beginning of the reporting year focused on a thorough review of the priority matters identified through stakeholder engagement in previous reporting periods, namely the impacts of network expansion and build-out on the economy and society, climate change and resource efficiency matters, and the impact of HT's operations on customers, particularly vulnerable groups.

The mapping was carried out by HT's experts from various business segments, considering relevant scientific studies, legislation, international agreements and treaties and the Annual Report on the Work of the Croatian Regulatory Authority for Network Industries for 2022 and 2023. They also took into account the report on the disputes in electronic communications, the European Sustainability Reporting Standards (ESRS) and the guidelines of the European Financial Advisory Group (EFRAG), the reporting standards of the Global Reporting Initiative (GRI), the sector standard for telecommunications services of the Sustainability Accounting Standards Board (SASB), voluntary recommendations for climate change disclosures of the Task Force on Climate-Related Financial Disclosures (TCFD) and the contribution to the UN's Sustainable Development Goals.

Impact materiality assessment

Based on the collected information, the HT Group analysed the negative and positive impacts of business activities and business relationships on society and the environment across the value chain. Concerning potential impacts, HT has determined a time frame, i.e., the period in which an impact may be expected. The assessment of materiality impact has been conducted by combining on-site and online methods, in cooperation with experts from HT and Combis, to assess the impacts connected to the business operations of HT, HT Services and Combis in the Republic of Croatia, and with experts from Crnogorski Telekom, to assess the impacts concerning the business operations of Crnogorski Telekom in Montenegro. In connecting the earlier recognised potential material impacts with topical standards of the European Sustainability Reporting Standards (ESRS) and their prioritisation, respective experts have grouped individual impacts and designated some impacts as irrelevant based on available information. The final assessment of the relevance and materiality of each impact of the HT Group on society and the environment has been recorded in an Excel format and confirmed in writing (via e-mail).

The impacts of business activities and sites on the environment across the value chain have also been considered. Among other things, the dependence on biodiversity and ecosystems has also been reviewed. Network infrastructure is primarily installed in urban, developed areas. In rural areas, including biodiversity-sensitive sites, such as protected sites Natura 2000, all interventions are done in compliance with the national legislation (e.g. making environmental impact assessments). Also, when necessary, such interventions are coordinated with local authorities in charge of environmental protection to consider the specific aspects of biodiversity. The HT Group's activities do not negatively impact biodiversity-sensitive areas. The pollution and impact on water and marine resources have not proven relevant to the HT Group's business operations.

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

The HT Group's materiality impact assessment is based on the ESRS dimensions of severity and the likelihood of occurrence. Based on these criteria, we have used sufficiently granular criteria and quantitative materiality thresholds. To evaluate the actual and potential impacts, we have taken into account the following aspects and assessed their severity:

- Scale
  How grave is the impact, and how material can the impact be on the undertaking/sector?
- Scope
  How widespread can the impact of the undertaking/sector be?

For negative impacts, we have additionally reviewed the following:

- Irremediable character/irreversibility
  How difficult is it, or how difficult may it be to remediate or remove the harm caused?

When assessing potential impacts, an additional dimension of assessment includes:

- Likelihood of occurrence
  How likely is it that an impact may occur?
- Time interval
  The period when an impact might be expected

The impacted levels of the value chain where positive or negative impacts occur have also been assessed.

Financial materiality assessment

After identifying the material impacts of the HT Group on society and the environment in the value chain, the next step included assessing financial risks and opportunities related to sustainability.

The financial materiality assessment was conducted by combining on-site and online methods with experts from HT and Combis to assess the risks and opportunities in the Republic of Croatia and with experts from Crnogorski Telekom to assess the risks and opportunities in Montenegro. In mapping the previously recognised potentially material risks and opportunities with topical standards of the European Sustainability Reporting Standards (ESRS) and their prioritisation, respective experts grouped individual risks and opportunities, and some risks and opportunities were designated as irrelevant based on the available information. The final assessment of the relevance and materiality of each sustainability risk and opportunity of the HT Group was recorded in an Excel format and confirmed in writing (via e-mail).

The methodology to assess financial materiality has been aligned with the risk management system based on the DT's Risk Management Policy, which is part of integral risk management at the DT Group level. Implementing this multi-level system enables early identification and assessment of risks and opportunities concerning the strategic goals of the HT Group, based on which we implement measures to manage and control these risks and opportunities. Since assessing sustainability risks and opportunities has some specific features and differs from the above system, the DT Group coordination meetings defined the assessment criteria described below.

Risks were divided into the following categories:

- Strategic
- Financial
- Operative
- Regulatory
- Legal

The affected phases of the value chain where risks and opportunities can arise were also identified. A time horizon when risks can appear was assigned to these risks.

The risk assessment criteria for the likelihood of occurrence and the scope of impact are part of the integrated risk management of the DT Group. They have been described in more detail under the section "Risk Management" in the Overview of the HT Group's business operations for 2024. The ESG criterion "Risk Management Factor" has also been implemented. This criterion has been implemented for financial materiality assessment of the sustainability factors that may impact the business of the HT Group, which have been included in risk management from before. The internally defined financial materiality threshold, which is implemented across the DT Group, is based on the sum of a three weighted criteria.

ESRS 2 IRO-2 – ESRS disclosure requirements in ESRS covered by the undertaking's sustainability report

The table below shows disclosure requirements which served as a guideline in our preparation of the Sustainability Report of the HT Group for 2024 based on the results of the double materiality assessment as well as mandatory disclosures requirements in accordance with Article 8 of the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the Taxonomy Regulation). After the double materiality analysis, we have assessed that the topical standards „ESRS E2 – Pollution", „ESRS E3 – Water and marine resources", „ESRS E4 – Biodiversity and ecosystems" and „ESRS S3 – Affected communities", are not material. On the other hand, the following topical standards have been assessed as material:

"ESRS index"

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement	Datapoint Name		SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Materiality	Section
ESRS 2 GOV-1	21d	Management Board's gender diversity	x		x			ESRS 2 GOV-1 – The role of administrative, management and supervisory bodies
ESRS 2 GOV-1	21e	Percentage of Management Board members who are independent			x			ESRS 2 GOV-1 – The role of administrative, management and supervisory bodies
ESRS 2 GOV-4	30	Statement on due diligence	x					ESRS 2 GOV-4 – Statement on due diligence
ESRS 2 SBM-1	40d-i	Involvement in activities related to fossil fuels and energy	x	x	x		Not relevant	-
ESRS 2 SBM-1	40d-ii	Involvement in activities related to chemical production	x		x		Not relevant	-
ESRS 2 SBM-1	40d-iii	Involvement in activities related to controversial weapons	x		x		Not relevant	-
ESRS 2 SBM-1	40d-iv	Involvement in activities related to the cultivation and production of tobacco			x		Not relevant	-
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050				x		ESRS E1-1 – Transition plan for climate change mitigation
ESRS E1-1	16g	Undertakings excluded from Paris-aligned benchmarks		x	x			ESRS E1-1 – Transition plan for climate change mitigation
ESRS E1-4	34	GHG emissions reduction goals	x	x	x			ESRS E1-4 – Targets related to climate change mitigation and adaptation

Disclosure requirement	Datapoint Name		SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Materiality	Section
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	x				Not relevant	-
ESRS E1-5	37	Energy consumption and mix	x					ESRS E1-5 – Energy consumption and mix
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	x				Not relevant	-
ESRS E1-6	44	ESRS E1-6 – Gross Scopes 1, 2, 3 and total GHG emissions	x	x	x			ESRS E1-6 – Gross Scopes 1, 2, 3 and total GHG emissions
ESRS E1-6	53-55	Gross GHG emissions intensity	x	x	x			ESRS E1-6 – Gross Scopes 1, 2, 3 and total GHG emissions
ESRS E1-7	56	GHG removals and carbon credits				x	Not material	-
ESRS E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks			x		Phase-in provision	-
ESRS E1-9	66a	Disaggregation of monetary amounts by acute and chronic physical risk		x			Phase-in provision	-
ESRS E1-9	66c	Location of significant assets at material physical risk		x			Phase-in provision	-
ESRS E1-9	67c	Breakdown of the carrying value of its real estate assets by energy-efficiency classes			x		Phase-in provision	-
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities	x				Not material	-

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement	Datapoint Name		SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Materiality	Section
ESRS E2-4	28	Amount of each pollutant listed in Annex II of the EPRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	x				Not material	-
ESRS E3-1	9	Water and marine resources	x				Not material	-
ESRS E3-1	13	Dedicated policy	x				Not material	-
ESRS E3-1	14	Sustainable oceans and seas	x				Not material	-
ESRS E3-4	28c	Total water recycled and reused	x				Not material	-
ESRS E3-4	29	Total water consumption in m^3 per net revenue on own operations	x				Not material	-
ESRS 2 SBM-3 E4	16a-i		x				Not material	-
ESRS 2 SBM-3 E4	16b		x				Not material	-
ESRS 2 SBM-3 E4	16c		x				Not material	-
ESRS E4-2	24b	Sustainable land/ agriculture practices or policies	x				Not material	-
ESRS E4-2	24c	Sustainable oceans/ seas practices or policies	x				Not material	-
ESRS E4-2	24d	Policies to address deforestation	x				Not material	-
ESRS E5-5	37d	Non-recycled waste	x					ESRS E5-5 – Resource outflows
ESRS E5-5	39	Hazardous waste and radioactive waste	x					ESRS E5-5 – Resource outflows

Disclosure requirement	Datapoint Name		SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Materiality	Section
ESRS 2 SBM-3 S1	14f	Risk of incidents of forced labour	x				Not material	-
ESRS 2 SBM-3 S1	14g	Risk of incidents of child labour	x				Not material	-
ESRS S1-1	20	Human rights policy commitments			x			ESRS S1-1 – Policies related to own workforce
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	x					ESRS S1-1 – Policies related to own workforce
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	x				Not material	-
ESRS S1-1	23	Workplace accident prevention policy or management system	x					ESRS S1-1 – Policies related to own workforce
ESRS S1-3	32c	Grievance/complaints handling mechanisms	x		x			ESRS S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns
ESRS S1-14	88b, 88c	Number of fatalities and number and rate of work-related accidents	x					ESRS S1-14 – Health and safety metrics
ESRS S1-14	88e	Number of days lost to injuries, accidents, fatalities, or illness	x		x			ESRS S1-14 – Health and safety metrics
ESRS S1-16	97a	Unadjusted gender pay gap	x					ESRS S1-16 – Compensation metrics (pay gap and total compensation)

GENERAL INFORMATION

ESRS 2 – General disclosures (continued)

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement	Datapoint Name		SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Materiality	Section
ESRS S1-16	97b	Excessive CEO pay ratio	x					ESRS S1-16 – Compensation metrics (pay gap and total compensation)
ESRS S1-17	103a	Incidents of discrimination	x		x			ESRS S1-17 – Incidents, complaints and severe human rights impacts
ESRS S1-17	104a	Non-respect of UN GPs on Business and Human Rights and OECD Guidelines	x					ESRS S1-17 – Incidents, complaints and severe human rights impacts
ESRS 2 SBM3 S2	11b	Significant risk of child labour or forced labour in the value chain	x					ESRS S2-1 – Policies related to value chain workers
ESRS S2-1	17	Human rights policy commitments	x					ESRS S2-1 – Policies related to value chain workers
ESRS S2-1	18	Policies related to value chain workers	x		x			ESRS S2-1 – Policies related to value chain workers
ESRS S2-1	19	Non-respect of UN GPs on Business and Human Rights and OECD Guidelines	x					ESRS S2-1 – Policies related to value chain workers
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	x					ESRS S2-1 – Policies related to value chain workers
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	x				Not material	-
ESRS S3-1	16	Human rights policy commitments	x		x		Not material	-
ESRS S3-1	17	Non-respect of UN GPs on Business and Human Rights or OECD Guidelines	x				Not material	-
ESRS S3-4	36	Human rights issues and incidents	x				Not material	-
ESRS S4-1	16	Policies related to consumers and end-users	x		x			ESRS S4-1 – Policies related to consumers and end-users
ESRS S4-1	17	Non-respect of UN GPs on Business and Human Rights and OECD Guidelines	x				Not material	-
ESRS S4-4	35	Human rights issues and incidents	x				Not material	-
ESRS G1-1	10b	United Nations Convention against Corruption	x					ESRS G1-1 – Corporate culture and business conduct policies and corporate culture
ESRS G1-1	10d	Protection of whistleblowers	x		x		Not material	ESRS G1-1 – Corporate culture and business conduct policies and corporate culture
ESRS G1-4	24a	Fines for violation of anti-corruption and anti-bribery laws	x					ESRS G1-4 – Incidents of corruption and bribery
ESRS G1-4	24b	Standards of anti-corruption and anti-bribery	x					ESRS G1-4 – Incidents of corruption and bribery

According to "ESRS 2 – General disclosures", disclosures relating to policies and measures, and are given in the topical standards, have been aligned with the minimum safeguards referred to in "ESRS 2 – General disclosures".

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Disclosures in accordance with Article 8 of the Regulation (EU) 2020/852 (the Taxonomy Regulation)

The Regulation (EU) 2020/852 (the "Taxonomy Regulation", the "Regulation") is a key legislative act that facilitates sustainable investment and supports the implementation of the European Green Deal. It establishes a framework for classifying sustainable economic activities, enabling the reorientation of capital flows towards sustainable investments. By implementing this Regulation, which is part of the European Green Deal adopted in 2019, criteria for environmentally sustainable economic activities are defined, which ensures transparency and alignment with the Taxonomy Regulation objectives.

Article 9 of the Regulation defines six environmental objectives, which the implementation of this Regulation strives to achieve:

1. Climate change mitigation (CCM);
2. Climate change adaptation (CCA);
3. The sustainable use and protection of water and marine resources (WTR);
4. The transition to a circular economy (CE);
5. Pollution prevention and control (PPC); and
6. The protection and restoration of biodiversity and ecosystems (BIO).

The Regulation differentiates between two basic categories of prescribed activities:

1. **Taxonomy-eligible activities** – economic activities included in the Regulation's list within individual environmental objectives.
2. **Taxonomy-aligned activities** – economic activities that are acceptable, and that also meet specific technical screening criteria and may be considered as environmentally sustainable activities.

Pursuant to Article 3 of the Regulation, an economic activity shall qualify as environmentally sustainable (Taxonomy Regulation-aligned) where that economic activity meets the following criteria:

1. **Substantial contribution**

For an economic activity to qualify as environmentally sustainable, the first Regulation requirement is to substantially contribute to one of the 6 environmental objectives set out in Article 9 of the Regulation, while complying with the prescribed technical screening criteria.

2. **The "Do No Significant Harm" principle**

The second Regulation requirement dictates that, for an economic activity to qualify as environmentally sustainable, it must not harm any other environmental objective.

3. **Minimum safeguards**

An economic activity must be carried out in compliance with the minimum safeguards, including:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work
- International Bill of Human Rights

According to Article 8 of the Regulation, the HT Group, as an undertaking which is subject to the obligation to publish non-financial information in line with the Directive (EU) 2022/2464 and the Accounting Act of the Republic of Croatia (Official Gazette of the Republic of Croatia, 85/2024, 145/2024), includes in its Taxonomy Regulation report for 2024 the information on how and to what extent its activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of the Regulation. In line with the requirements of the Delegated Regulation 2021/2178 on the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic activities, this report provides information about key indicators, i.e. about the share of taxonomy-aligned, taxonomy-eligible and taxonomy-non-eligible economic activities of the HT Group in terms of turnover, capital expenditure (CapEx) and operational expenditure (OpEx).

In compiling this Taxonomy Regulation report, apart from the basic Regulation, all delegated regulations related to the Taxonomy Regulation have been taken into account, including:

1. Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation;
2. Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 specifying the content and presentation of information concerning environmentally sustainable economic activities of undertakings;
3. Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending economic activities in certain energy sectors and specific public disclosures for those economic activities;
4. Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending economic activities and technical criteria for climate change mitigation or climate change adaptation;
5. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 establishing the technical screening criteria for an economic activity to contribute substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or the protection and restoration of biodiversity and ecosystems and amending the contents and the presentation of disclosures of undertakings;
6. Commission Delegated Regulation (EU) 2024/3215 of 28 June 2024 correcting specific language versions of the Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 by establishing technical screening criteria for defining conditions for an economic activity to qualify as significantly contributing to climate change mitigation or climate change adaptation and for determining an economic activity as doing no significant harm to none of the other environmental objectives.

Defining the numerator of capital and operational expenditure

In accordance with regulation, the numerator equals to the part of the capital or operational expenditure included in the denominator that is any of the following:

- Related to assets or processes that are associated with taxonomy-aligned economic activities;
- Part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned ("CapEx plan");
- Related to the purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, notably activities listed in points 7.3 to 7.6 of Annex I to the Climate Delegated Act, as well as other economic activities listed in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

All identified activities within capital and operational expenditure relate to assets or processes that are associated with taxonomy-aligned economic activities since the HT Group has not yet adopted a CapEx plan and has not made any purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or lead to greenhouse gas reductions.

The following section lists the key taxonomy-eligible economic activities of the HT Group and an assessment of their alignment.

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

Taxonomy-eligible activities of the HT Group

Under the Regulation, the first step in aligning with the Taxonomy Regulation is to identify an undertaking's taxonomy-eligible economic activities. These are activities that are included in the Taxonomy Regulation that may potentially significantly contribute to achieving environmental objectives, irrespective of whether they meet the technical screening criteria set out in the delegated acts.

Conversely, taxonomy-non-eligible economic activities are defined as those not described in the delegated acts that supplement the Regulation.

Considering that the main business activities of the HT Group belong to the information-telecommunications sector, four taxonomy-eligible economic activities have been identified in its core business:

- Data processing, hosting and related activities (CCM 8.1)
- Data-driven solutions for GHG emissions reductions (CCM 8.2)
- Software for managing and adapting to physical climate risks (CCA 8.4.)
- Provision of IT/OT data-driven solutions for leakage reduction (WTR 4.1)

Since the HT Group also realises turnover from activities that are not connected with its core activities of the information-telecommunications sector, some additional activities, which are taxonomy-eligible, have also been presented in HT Group's Taxonomy Regulation report:

- Acquisition and ownership of buildings (CCM 7.7)
- Installation, maintenance and repair of electric vehicle charging stations in buildings (and associated parking spaces) (CCM 7.4)
- Installation, maintenance and repair of renewable energy technologies (CCM 7.6)
- Sale of second-hand products (CE 5.4)
- Collection and transportation of non-hazardous and hazardous waste (CE 2.3)

The Taxonomy Regulation also comprises cross-sector activities which, although not part of the HT Group's core business, are relevant for the entire corporate structure and business operations of the HT Group (e.g. transport, asset management and electricity generation). In 2024, these were some of the relevant cross-sector activities for the HT Group:

- Electricity generation using solar photovoltaic technology (CCM 4.1)
- Transport by motorbikes, passenger cars and light commercial vehicles (CCM 6.5)
- Product-as-a-Service and other circular use and result-oriented service models (CE 5.5)
- Installation, maintenance and repair of energy efficiency equipment (CCM 7.3)
- Installation, maintenance and repair of instruments and devices for measuring, regulation and control of energy efficiency in buildings (CCM 7.5)

The alignment of material taxonomy-eligible economic activities

After determining the taxonomy eligibility, verifying whether the recognised taxonomy-eligible activities are aligned with the technical screening criteria is required. An activity is qualified to be aligned with the Taxonomy Regulation if it meets the technical screening criteria set out in the Commission Delegated Regulation (EU) 2021/2139, Commission Delegated Regulation (EU) 2023/2485 and Commission Delegated Regulation (EU) 2023/2486. This implies a significant contribution to at least one environmental objective, not harming any other environmental objective and compliance with minimum safeguards set out by international conventions and human and labour rights' principles referred to in the Taxonomy Regulation (EU) 2020/852.

In accordance with the regulation requirements, the 2024 report is compiled about the alignment of economic activities within all defined environmental objectives. The analysis is based on activities that are materially most significant for the business operations of the HT Group in terms of the percentage of their eligibility per an individual KPI.

These activities include the following:

1. **Data processing, hosting and related activities (CCM 8.1)**

The specified activity includes storing, handling, managing, moving, controlling, displaying, switching, exchanging, transmitting or processing data via data centres, including edge computing. All activities related to data centres are listed within this activity, including cloud services. Under cloud services that meet the criteria for this activity according to the Taxonomy Regulation, the following services have been included:

- Software-as-a-Service (SaaS)
- Platform-as-a-Service (PaaS)
- Infrastructure-as-a-Service (IaaS)

For data centres to make a significant contribution to climate change mitigation in line with the Taxonomy Regulation, they must adhere to the EU Code of Conduct for Data Centre Energy Efficiency. Given that compliance with this Code has not been verified by an independent third party yet, the HT Group's data centre activities have not been classified as taxonomy-aligned in the reporting year under the Taxonomy Regulation requirements.

2. **Data-driven solutions for GHG emissions reductions (CCM 8.2)**

This activity pertains to developing or applying information and communication technologies ("ICT solutions") aimed at collecting, transmitting and storing data, and modelling and using data in the context of reducing GHG emissions. Such ICT solutions can, among others, include the application of decentralised technologies (i.e., decentralised transaction ledger technologies), the Internet of Things (IoT), 5G technology and artificial intelligence (AI). Within this activity, the HT Group includes the service of a cloud-based vehicle monitoring and fleet management system, the primary goal of which is vehicle route optimisation, which directly contributes to the reduction of CO_2 emissions into the atmosphere. Combis's services, such as ComEnergy, One Smart City and ARA are also included, which directly impact the reduction of CO_2 emissions.

The technical criterion for verifying a substantial contribution requires a lifecycle analysis as proof of the taxonomy alignment of these solutions. Companies must prove that their solutions significantly reduce GHG emissions throughout their entire lifecycle compared to the relevant benchmark solution available on the market. Since the substantial contribution criterion, in addition to lifecycle assessment, requires verification of the scientific basis of the GHG emissions reduction assessment by an independent third party, these services cannot be classified as taxonomy-aligned in the reporting year.

3. **Product-as-a-Service and other circular use and result-oriented service models (CE 5.5)**

This activity relates to providing access to products for customers through a service model, offering either use-based services – where the product remains the property of the service provider while the user has the option of leasing, renting, sharing or co-using the product – or result-based services, where payment and delivery of the agreed result are predefined (i.e., payment per unit of service). Within this activity, the HT Group reports on devices such as routers and set-top boxes ("STBs"), which are provided to customers for use and, after the expiry of the contract with the customer, are returned to the HT Group for refunctioning for the next customer. In the context of the Taxonomy Regulation, a climate risk analysis has not been conducted for this activity, which automatically means that the criteria for not causing significant harm within the environmental objective of climate change adaptation are not met. Therefore, this activity cannot be classified as taxonomy-aligned.

4. **Transport by motorbikes, passenger cars and light commercial vehicles (CCM 6.5)**

The HT Group's vehicle fleet includes business personal vehicles and light commercial vehicles, which are acquired through operational leasing and are regularly maintained. Accordingly, the activity of Transport by motorbikes, passenger cars and light commercial vehicles (CCM 6.5) has been identified as a taxonomy-eligible economic activity of the HT Group. Electrification and reducing the CO_2 footprint of the vehicle fleet are key elements of an integrated climate strategy.

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

In the upcoming reporting periods, the HT Group plans to increase the share of vehicles that meet the technical criteria for CO_2 emissions defined by EU regulations for new vehicles. Additionally, activities will be conducted to align with other technical screening criteria in the Taxonomy Regulation, including requirements of the most recent applicable stage of the emission-type approval referred to in the Euro 6 norm. Also, plans include ensuring M and N category road vehicle tyres compliance with the highest class criteria for external rolling noise and corresponding rolling resistance coefficient. Currently, the choice of vehicles is primarily left to employees who are assigned the vehicles for use. For the reporting year 2024, no vehicles have been defined that meet the technical screening criteria, and this activity cannot, therefore, be classified as aligned with the Taxonomy Regulation.

5. **Acquisition and ownership of buildings (CCM 7.7)**

This activity pertains to all real estate owned or leased by the HT Group. According to the technical screening criteria in the Taxonomy Regulation, no buildings owned or leased by the HT Group have been identified that could be classified as taxonomy-aligned for the reporting year 2024.

The HT Group's compliance with minimum safeguards

The HT Group's approach to human rights' respect is based on the United Nations Guiding Principles on Business and Human Rights – the global guidelines on corporate social responsibility and respecting human rights – the Diversity Charter to which the HT Group is an initial signatory, and the Basic Principles referred to in the Deutsche Telekom Group's Social Charter. By adhering to these documents, all DT Group companies show their commitment to operating in accordance with internationally recognised norms, guidelines and standards. These standards include the norms contained in the International Bill of Human Rights, the key conventions of the International Labour Organisation (ILO), the Guidelines of the Organisation for Economic Cooperation and Development (OECD) and the principles of the UN Global Compact initiative.

At the beginning of 2024, the HT Group adopted its Code of Human Rights, which aims at promoting the respect of employees' human rights, as well as its Diversity, Equity and Inclusion (DE&I) Policy. By adopting these documents, the HT Group committed to respecting international instruments such as the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and guiding principles for multinational enterprises and social policy, the OECD Guidelines for Multinational Enterprises, the UN Global Compact principles and the UN Guiding Principles on Business and Human Rights.

A full implementation of Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859, which is in line with the requirements of the UN Guiding Principles on Business and Human Rights, is expected in the upcoming period.

Calculation of taxonomy-related key performance indicators ("KPIs")

Given that the economic activities defined within the environmental objectives do not relate solely to the activities for which the Company is registered (the NACE codes), this year the HT Group has also conducted a deep dive of all its activities to determine the economic activities relevant for the Taxonomy Regulation. Following the identification of appropriate activities, the HT Group calculated the key performance indicators ("KPIs") for its turnover, capital and operational expenditures.

A multidisciplinary team covering various business areas within the HT Group participated in identifying economic activities and calculating KPIs to ensure the accuracy and transparency of information and calculations. The process was conducted for the years 2023 and 2024. Hence, this report includes the changes to the identified activities and amounts for 2023. The numbers for 2024 are more accurate than the numbers used in the previous year because a lot of employees from all organisational parts of the HT Group were involved in the process. Based on their respective experience, they participated in identifying the activities in line with the Taxonomy Regulation.

Key differences are shown in the table below:

EUR million	Amount as at 31.12.2023 according to the EU Taxonomy report 2024	Amount as at 31.12.2023 according to the EU Taxonomy report 2023	Difference
Turnover KPI			
Denominator	1,041.45	1,039.34	2.11
Activity CCM 8.1	8.11	2.27	5.84
Activity CCM 8.2	1.98	9.12	(7.14)
Activity CE 2.3	0.21	0.00	0.21
Activity WTR 4.1	0.03	0.00	0.03
Activity CCM 6.5	0.04	0.00	0.04
Activity CCM 7.7	0.11	0.00	0.11
Activity CCM 7.4	0.29	0.00	0.29
Activity CCM 7.6	1.17	0.00	1.17
Activity CE 5.4	0.01	0.00	0.01
Activity CCM 6.15	0.00	0.56	(0.56)
Capital expenditure KPI			
Denominator	406.81	220.98	185.83
Activity CCM 8.1	7.19	9.12	(1.93)
Activity CCM 8.2	0.47	11.95	(11.48)
Activity CCM 8.4	0.02	0.00	0.02
Activity CCM 4.1	0.01	0.00	0.01
Activity WTR 4.1	0.07	0.00	0.07
Activity CCM 6.5	7.12	0.56	6.56
Activity CCM 7.7	4.74	0.00	4.74
Activity CCM 7.3	0.35	0.00	0.35
Activity CCM 7.1	0.20	0.00	0.20
Activity CCM 7.5	0.00	0.00	0.00
Activity CCM 5.5	13.90	0.00	13.90
Activity CCM 6.15	0.00	2.27	(2.27)
Operational expenditure KPI			
Denominator	47.40	615.60	(568.20)
Activity CCM 8.1	2.08	0.00	2.08
Activity CCM 8.2	0.00	4.73	(4.73)
Activity CCM 4.1	0.00	0.00	0.00
Activity CCM 6.5	0.18	5.70	(5.52)
Activity CCM 7.7	5.08	0.00	5.08
Activity CCM 7.3	0.44	0.00	0.44
Activity CCM 6.15	2.08	0.40	1.68

In calculating KPIs, particular attention was paid not to double count, in line with the principles of the Taxonomy Regulation, ensuring that one economic activity cannot be counted several times as a contribution to various ecological objectives or for various operators. Since it was defined that every identified activity contributes to one environmental objective only, a double count was successfully avoided.

In calculating the KPIs for the HT Group, related parties' transactions were not considered because this is a consolidated report.

ENVIRONMENTAL INFORMATION
The Taxonomy Regulation (continued)

Key performance indicator – Turnover

To calculate the turnover KPI, in line with the definition from the Regulation, all revenues recognised in accordance with the International Accounting Standard 1, item 82, subitem (a), have been included. For a more detailed overview of accounting policies relating to standards referred to in this item, please see Note 2.3 to financial statements.

Estimations were not used to define the amounts to calculate the turnover KPI.

The tables below show detailed turnover KPI calculations for 2024 and 2023.

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

KEY PERFORMANCE INDICATOR – TURNOVER

Financial year 2024		2024		Substantial contribution criterion						Do Not Significant Harm (DNSH) criterion										
Economic activities (1)	Code /codes (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-eligible or Taxonomy-aligned proportion of turnover, year 2024 (18)	Taxonomy-eligible or Taxonomy-aligned proportion of turnover, year 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR million	%	Yes; No; N/EL (b) (c)	Yes; No; N/EL (b) (c)	Yes; No; N/EL (b) (c)	Yes; No; N/EL (b) (c)	Yes; No; N/EL (b) (c)	Yes; No; N/EL (b) (c)	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																	**0.00%**			
A.1.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00%**	**0.00%**	-	-
Of which enabling		**0.00**															**0.00%**	**0.00%**		
Of which transitional		**0.00**															**0.00%**	**0.00%**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Collection and transportation of non-hazardous and hazardous waste	CE 2.3	0.11	0.01%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.01%	0.02%		
Provision of IT/OT data-driven solutions for leakage reduction	WTR 4.1	0.00	0.00%	N/EL	N/EL	EL	N/EL	N/EL	N/EL								0.00%	0.00%		
Sale of second-hand products	CE 5.4	0.26	0.02%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.02%	0.00%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	0.00	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%	0.00%		
Installation, maintenance and repair of electric vehicle charging stations in buildings (and associated parking spaces)	CCM 7.4	0.18	0.02%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.02%	0.03%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.04	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%	0.11%		
Acquisition and ownership of buildings	CCM 7.7	0.11	0.01%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.01%	0.01%		
Data processing, hosting and related activities	CCM 8.1	9.61	0.89%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.89%	0.79%		
Data-driven solutions for GHG emissions reductions	CCM 8.2	1.95	0.18%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.18%	0.19%		
Turnover of Taxonomy-eligible but environmentally not sustainable activities (not Taxonomy-aligned) (A.2)		**12.26**	**1.13%**	**1.10%**	**0.00%**	**0.00%**	**0.03%**	**0.00%**	**0.00%**								1.13%	1.15%		
Turnover of Taxonomy-eligible activities (A.1 + A.2)		**12.26**	**1.13%**	**1.10%**	**0.00%**	**0.00%**	**0.03%**	**0.00%**	**0.00%**								1.13%	1.15%		

B. TAXONOMY-NON-ELIBIGLE ACTIVITIES		
Turnover of Taxonomy-non-eligible activities	**1,071.47**	**98,87%**
TOTAL (A+B)	**1,083.73**	**100,00%**

	Proportion of turnover/Total turnover	
	Taxonomy-aligned based on objective	Taxonomy-eligible based on objective
CCM	0.00%	1.10%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.03%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

Key performance indicator – Capital expenditure

Relevant capital expenditure for the calculation of the capital expenditure KPI is determined based on the consolidated financial statements and is calculated by adding all purchases of the HT Group recognised in accordance with the following accounting standards:

- International Accounting Standard 16: Property, Plant and Equipment
- International Accounting Standard 38: Intangible Assets (excluding goodwill)
- International Financial Reporting Standard 16: Right-of-Use Assets

The HT Group does not have any investments in properties recognised according to the International Accounting Standard 40, nor does it have investments in agriculture recognised according to the International Accounting Standard 41, which would be considered within the Taxonomy Regulation framework.

For a detailed overview of accounting policies connected with the above standards, please see under Note 2.3 of the financial statements.

Estimations were not used to define the amounts needed to calculate the capital expenditure KPI.

The tables below show detailed capital expenditure KPIs for 2024 and 2023.

In 2024, the HT Group did not adopt a CapEx plan for alignment according to the EU-Taxonomy criteria.

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

KEY PERFORMANCE INDICATOR – CAPITAL EXPENDITURE

Financial year 2024		2024		Significant contribution criterion						Do Not Significant Harm (DNSH) criterion										
Economic activities (1)	Code/codes (2)	Absolute capital expenditure (3)	Proportion of capital expenditure (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-eligible or Taxonomy-aligned proportion of capital expenditure, year 2024 (18)	Taxonomy-eligible or Taxonomy-aligned proportion of capital expenditure, year 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR million	%	%	%	%	%	%	%	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Capital expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00%**	**0.00%**	-	-
Of which enabling		**0.00**															**0.00%**	**0.00%**		
Of which transitional		**0.00**															**0.00%**	**0.00%**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Electricity generation using solar photovoltaic technology	CCM 4.1	0.01	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%	0.00%		
Provision of IT/OT data-driven solutions for leakage reduction	WTR 4.1	0.00	0.00%	N/EL	N/EL	EL	N/EL	N/EL	N/EL								0.00%	0.02%		
Product-as-a-Service and other circular use and result-oriented service models	CE 5.5	15.47	4.85%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								4.85%	3.42%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	10.32	3.23%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.23%	1.75%		
Construction of new buildings	CCM 7.1	0.00	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%	0.05%		
Renovation of buildings	CCM 7.2.	0.73	0.23%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.23%	0.00%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.05	0.02%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.02%	0.09%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and control of energy efficiency in buildings	CCM 7.5	0.69	0.22%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.22%	0.00%		
Acquisition and ownership of buildings	CCM 7.7	5.40	1.69%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.69%	1.16%		
Data processing, hosting and related activities	CCM 8.1	8.20	2.57%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.57%	1.77%		
Data-driven solutions for GHG emissions reductions	CCM 8.2	0.14	0.04%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.04%	0.12%		
Software for managing and adapting to physical climate risks	CCA 8.4	0.02	0.01%	N/EL	EL	N/EL	N/EL	N/EL	N/EL								0.01%	0.01%		
Capital expenditure of Taxonomy-eligible but environmentally not sustainable activities (not Taxonomy-aligned) (A.2)		**41.03**	**12.86%**	8.00%	0.01%	0.00%	4.85%	0.00%	0.00%								12.86%	8.39%		
A. Capital expenditure of Taxonomy-eligible activities (A.1 + A.2)		**41.03**	**12.86%**	8.00%	0.01%	0.00%	4.85%	0.00%	0.00%								**12.86%**	**8.39%**		

B. TAXONOMY-NON-ELIBIGLE ACTIVITIES			
Capital expenditure of Taxonomy-non-eligible activities		**278.12**	**87.14%**
TOTAL (A+B)		**319.15**	**100.00%**

	Proportion of capital expenditure/Total capital expenditure	
	Taxonomy-aligned based on objective	Taxonomy-eligible based on objective
CCM	0.00%	8.00%
CCA	0.00%	0.01%
WTR	0.00%	0.00%
CE	0.00%	4.85%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

Key performance indicator – Operational expenditure

In accordance with regulations, the technical definition of operational expenditure includes direct non-capitalised costs relating to research and development, building renovation expenses, short-term lease costs, maintenance and repair costs (including cleaning expenses and salaries of employees engaged in maintenance and cleaning), as well as other direct non-capitalised costs for the daily servicing of property, plant and equipment performed by the company or a third party entrusted with these tasks, which are necessary for the proper functioning of these assets.

For a detailed overview of accounting policies connected with the above standards, please see under Note 2.3 of the financial statements.

In defining the amounts needed to calculate the operational expenditure KPI, the following estimations were used:

1. **Estimate of costs for employees engaged in maintenance**

Since no record within the HT Group would enable us to separate the costs for employees engaged in maintenance, the stated amount was estimated. In the HT Group, some of employees are charged with the maintenance of the telecommunications network and equipment used in this activity, and the amount of the cost for these employees was included as the denominator for the operational expenditure KPI. Also, some of employees are engaged in the maintenance of data centres and the costs of their salaries are included in the denominator, and are also included in the numerator for the activity 8.1 (CCM), Data processing, hosting and related activities. These costs were estimated so that managers of the respective departments gave their estimations about the percentage of time that individual employees spend on maintenance tasks. Based on the experience of employees who work on these tasks, these percentages were applied to the average salary of an employee engaged in maintenance. This approach ensured a high level of estimation reliability.

2. **Estimate of expenses for maintenance of equipment for energy efficiency and instruments and devices for measuring, regulating and controlling energy efficiency of buildings**

The data on the maintenance of property owned or leased by the HT Group are not available in sufficient detail to separate them into categories, i.e. into 7.3 Installation, maintenance and repair of equipment for energy efficiency, and 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings. Therefore, an estimation was made for these categories, by dividing the total property maintenance expenses among the activities 7.3, 7.5 and 7.7 relative to their share in the capital expenditure KPI. This approach has achieved a high level of estimation reliability.

The tables below show the calculation for the operational expenditure KPIs for 2024 and 2023.

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

KEY PERFORMANCE INDICATOR – OPERATIONAL EXPENDITURE

Financial year 2024		2024		Significant contribution criterion						Do Not Significant Harm (DNSH) criterion										
Economic activities (1)	Code/codes (2)	Absolute operational expenditure (3)	Proportion of operational expenditure (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-eligible or Taxonomy-aligned proportion of operational expenditure, year 2024 (18)	Taxonomy-eligible or Taxonomy-aligned proportion of operational expenditure, year 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR million	%	%	%	%	%	%	%	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	Yes; No; N/EL	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Operational expenditure of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.00**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00%**	**0.00%**	-	-
Of which enabling		**0.00**															**0.00%**	**0.00%**		
Of which transitional		**0.00**															**0.00%**	**0.00%**		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Electricity generation using solar photovoltaic technology	CCM 4.1	0.00	0.00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.00%	0.01%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	0.31	0.67%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.67%	0.38%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.05	0.11%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.11%	0.93%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and control of energy efficiency in buildings	CCM 7.5	0.48	1.04%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.04%	0.00%		
Acquisition and ownership of buildings	CCM 7.7	3.81	8.18%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								8.18%	10.70%		
Data processing, hosting and related activities	CCM 8.1	0.50	1.07%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.07%	4.40%		
Data-driven solutions for GHG emissions reductions	CCM 8.2	0.02	0.05%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.05%	0.00%		
Operational expenditure of Taxonomy-eligible but environmentally not sustainable activities (not Taxonomy-aligned) (A.2)		**5.17**	**11.12%**	**11.12%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**								**11.12%**	**16.42%**		
A. Operational expenditure of Taxonomy-eligible activities (A.1 + A.2)		**5.17**	**11.12%**	**11.12%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**								**11.12%**	**16.42%**		
B. TAXONOMY-NON-ELIBIGLE ACTIVITIES																				
Operational expenditure of Taxonomy-non-eligible activities		**41.36**	**88.89%**																	
TOTAL (A+B)		**46.53**	**100.00%**																	

	Proportion of operational expenditure/Total operational expenditure	
	Taxonomy-aligned based on objective	Taxonomy-eligible based on objective
CCM	0.00%	11.12%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.00%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

ENVIRONMENTAL INFORMATION

The Taxonomy Regulation (continued)

The Taxonomy Regulation, as a list of economic activities contributing to climate objectives, currently does not include criteria for the economic activity of providing and operating telecommunications network infrastructure. Since the Taxonomy Regulation does not yet include the core activity of the HT Group (telecommunications network), the total overview of all taxonomy-eligible economic activities shows a low share in turnover (1.13%), capital expenditure (12.86%) and operational expenditure (11.12%).

The largest share of taxonomy-eligible turnover relates to the economic activity of Data processing, hosting and related activities (CCM 8.1), whose share in 2024 amounts to 0.89% of turnover (2023: 0.78%). No significant changes in eligible amounts within this activity compared to the last year were recorded.

The second most important economic activity concerning turnover is Data-driven solutions for GHG emissions reductions (CCM 8.2), which can potentially reduce energy spending and CO_2 footprint. The share of this activity in turnover amounts to 0.18% for 2024 (2023: 0.19%). There were also no significant changes in eligible amounts within this activity.

Within capital expenditures, the most significant changes were realised relating to the activity Product-as-a-Service and other circular use and result-oriented service models (CE 5.5), whose share increased from 3.42% as at 31 December 2023 to 4.85% as at 31 December 2024 due to larger purchase of STB equipment that is given to customers for use. Also, the activities of Transport by motorbikes, passenger cars and light commercial vehicles (CCM 6.5) and Acquisition and ownership of buildings (CCM 7.7) saw an increase, primarily due to the conclusion of new rent or lease agreements. Other activities did not record significant changes.

Operational expenses show decreased maintenance costs within the activity Acquisition and ownership of buildings (CCM 7.7). Other activities do not record significant changes.

The Taxonomy Regulation currently does not offer a possibility to adequately describe the contribution of the HT Group to climate change mitigation relating to network infrastructure. The HT Group, together with other companies that are members of the Deutsche Telekom Group, participates in the work of numerous business and industry associations to include adequate and relevant criteria describing the contribution of its core business to climate and other environmental objectives. Given the high standards for the technical screening criteria, the alignment and alignment verification represent a challenging and time-consuming process. The introduction of a system of monitoring the alignment with the technical screening criteria in the accounting practices of the HT Group will facilitate a more straightforward demonstration of alignment with the criteria, and we plan to increase the share of aligned activities for the coming years.

ENVIRONMENTAL INFORMATION

ESRS E1 – Climate change

Introduction

Already witnessed climate change consequences and future potential increasingly unpredictable and devastating impacts of weather disasters connected with the non-sustainable use and consumption of non-renewable energy sources pose grave danger to eco-systems and entire humanity and threaten to inflict physical damage on infrastructure and cause harmful economic effects. Digitalisation has the potential to accelerate the necessary transition towards a low-carbon economy and change the course of events towards a more sustainable future. Having recognised the severity and urgency of the situation, the HT Group's dedication to combatting climate change is included in the corporate strategy.

The following index shows disclosure requirements identified through materiality analysis relating to the topical standard "ESRS E1 – Climate change".

ESRS index according to ESRS 2 IRO-2

Disclosure	Designation	Reference
ESRS E1 – Climate change		
ESRS 2 GOV-3 E1	Integration of sustainability-related performance in incentive schemes	p. 36
ESRS E1-1	Transition plan for climate change mitigation	p. 55
ESRS 2 SBM-3 E1	Material impacts, risks and opportunities and their interaction with strategy and business model	p. 55 (Use of phase-in provision for ESRS 2 SBM-3 48e)
ESRS 2 IRO-1 E1	Description of the processes to identify and assess material impacts, risks and opportunities	p. 40
ESRS E1-2	Policies related to climate change mitigation and adaptation	p. 56
ESRS E1-3	Actions and resources in relation to climate change policies	p. 56
ESRS E1-4	Targets related to climate change mitigation and adaptation	p. 57
ESRS E1-5	Energy consumption and mix	p. 57
ESRS E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	p. 58
ESRS E1-7	GHG removals and GHG mitigation projects financed through carbon credits	p. 59
ESRS E1-8	Internal carbon pricing	p. 59
ESRS E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Use of phase-in provision

Strategy

ESRS E1-1 – Transition plan for climate change mitigation

The fight against climate change is integrated into HT Group's corporate strategy as Science-Based Targets for decreasing greenhouse gas emissions adopted by all companies within the DT Group. The climate goals of the DT Group, in whose implementation the HT Group participates, reflect the direction of the European Green Deal and were approved by the Science-Based Targets initiative (SBTi), which confirms their alignment with the Paris Agreement goals. Climate goals are described under the section "ESRS E1-4 – Targets related to climate change mitigation and adaptation".

To ensure the achievement of the set climate goals, DT developed a transition plan for climate, which has been published in the Sustainability Report of the DT Group for 2024 and in whose implementation the HT Group will also participate.

The HT Group has not adopted a standalone climate transition plan. Considering the upcoming obligations under the Corporate Sustainability Due Diligence Directive (CSDDD) that entered into force in 2024, and whose provisions the Republic of Croatia needs to transpose to national legislation by 26 July 2026, according to the current requirements of the CSDDD, the HT Group would have to publish the climate transition plan latest by 26 July 2028. In 2025, the HT Group will monitor the regulatory developments in the European Union and the Republic of Croatia and will decide in the next reporting period when and if it will adopt a standalone climate transition plan.

ESRS 2 SBM-3 E1 – Material impacts, risks and opportunities and their interaction with strategy and business model

The table below shows the material impact of the HT Group's business activities on the environment, which we have identified through a double materiality assessment. A time frame is not stated since the material impacts connected with the topical standard "ESRS E1 – Climate change" are actual impacts. A transition opportunity related to climate change has been determined in the double materiality assessment. The assessment has not identified significant climate risks.

More detailed information on the interaction between material impacts, risks and opportunities with the HT Group's strategy and business model is given in the section "ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model".

Material impacts and their interaction with strategy and business model

Value chain	Impact	Description	Interaction with strategy and business model	IRO code
Climate change adaptation and climate change mitigation				
Own business activities	Negative impact	Use of vehicles on fossil fuels. Greenhouse gas emissions occurring through fuel use by HT's vehicle fleet with internal combustion engines.	Originating from the business model	E1-I1
Upstream	Negative impact	Manufacturing processes for products (software and hardware) as well as for infrastructure construction (fixed and mobile network) cause greenhouse gas emissions in manufacturing and transport and thus add to climate change.	HT connected through business relations	E1-I2
Own business activities	Negative impact	Construction works cause greenhouse gas emissions. (Fibre optic) infrastructure expansion and maintenance lead to increased greenhouse gas emissions.	Originating from the business model	E1-I3
Own business activities	Positive impact	Increase in the green energy ratio in the total consumption.	Originating from the business model	E1-I4
Energy				
Own business activities	Negative impact	Energy inefficiency and energy consumption by data centres.	Originating from the business model	E1-I5
Upstream	Negative impact	Manufacturing of electronic devices and the construction and maintenance of the fixed and mobile network infrastructure may have a negative impact. Energy demand is especially high in manufacturing countries like China and is primarily based on fossil fuels.	HT connected through business relations	E1-I6
Downstream	Positive impact	ICT solutions for low-carbon economy (smart factories, cloud computing). Using HT's products and services has a positive impact on climate change. Energy-efficient hosting on HT's infrastructure and process optimisation through online services that can be provided and utilised via HT's infrastructure and products can save users energy, directly or indirectly.	HT contributes by its products and services	E1-I7

Material risks and opportunities

Value chain	Risk/opportunity	Description	IRO code
Climate change adaptation and climate change mitigation			
Own business activities	Opportunity (related to transition)	ICT solutions of the HT Group. Greater demands of stakeholders, especially investors, civil society and customers for activities directed at fighting climate change and environmental protection.	E1-O1

Climate risks and associated hazards stemming from extreme weather events pose a potential threat, with potential long-term implications for the sustainability of the HT Group's business operations. Natural disasters such as floods, storms, wildfires, heatwaves and other hazards can significantly damage infrastructure or disable networks. Exposure to physical climate risks is based on the effects that extreme weather conditions could have on telecommunications infrastructure and customers. Therefore, using the Location Risk Intelligence software of the reinsurance company Munich Re, HT carried out a physical climate risk assessment using state of the art high-resolution climate projections across several future climate scenarios. The assessment covers 2,400 locations of HT's data centres and mobile and fixed sites in Croatia, whose functionality is significant for the HT Group's business operations.

The climate risk analysis that was conducted includes an assessment of the current exposure to various climate hazards and a future-scenario analysis predicting different concentrations of greenhouse gases:

- SSP 1- / RCP 2.6: expected increase in global temperature below 2°C, with significant efforts invested in climate protection
- SSP 2- / RCP 4.5: expected increase in global temperature below 2.2 – 2.6°C, some efforts have been made for climate protection resulting in slight reduction of greenhouse gas emissions, but significant consequences of climate change are expected
- SSP 5- / RCP 8.5: expected increase in global temperature above 4°C, continuous growth in emissions leading to drastic changes in climate conditions (the so-called "business-as-usual scenario") due to a lack of efforts in climate protection

This assessment includes exposure to floods, temperature stress, precipitation, fires, droughts, cold waves, cyclones and sea-level rise. Projections were made for 2030, 2050, and 2100 for all risks except sea-level rise, which was modelled only for the year 2100. According to the UN Environment Programme (UNEP), the current path of global warming is on track to increase by 3°C compared to pre-industrial levels by the end of the century, leading to more frequent and severe weather events. Hence, the analysis used the RCP 8.5 climate scenario, which is based on the highest levels of greenhouse gas concentrations and projections for the year 2050. The analysis shows that only a small part of the HT Group's infrastructure is currently exposed to climate hazards. By applying the criteria for determining the financial materiality, it has been determined that there are no financially significant physical climate risks for the HT Group in the mid-term period.

Impact, risks and opportunity management

ESRS E1-2 – Policies related to climate change mitigation and adaptation

E1-I1 / E1-I2 / E1-I3 / E1-I4 / E1-I5 / E1-I6 / E1-I7 / E1-O1

Climate neutrality is one of the umbrella goals of the HT Group's Sustainability Strategy described in more detail under the section "ESRS 2 SBM-1 – Strategy, business model and value chain". Our integrated climate strategy, which defines the framework for achieving this umbrella goal, is founded on four pillars: value chain emissions, renewable energy, energy efficiency and enablement or supporting our customers' climate protection efforts.

The Environmental, Health and Safety at Work Management Policy is a fundamental document through which the HT Group manages its environmental footprint. Climate protection is also described in the HT Group's Policy on Corporate Responsibility, the Supplier Code of Conduct and the Code of Human Rights. The Policy aligns with new requirements and reflects the HT Group's continuous commitment to managing environmental impacts. The business operations of the HT Group concerning the environment are shaped according to the requirements of the Integrated System of Environmental, Occupational Health and Safety at Work Management according to ISO 14001 and ISO 45001 standards, which confirm HT's alignment with the globally accepted best practice standards.

The Environmental, Health and Safety at Work Management Policy relates to climate change mitigation, energy efficiency and introducing energy from renewable sources. The Policy defines strategic guidelines and energy initiatives at the HT Group concerning using energy from renewable sources, increasing energy efficiency and reducing GHG emissions in the organisation by fostering and using alternative energy sources and fuel and investing in the renewal of the vehicle fleet.

The Group's Policy on Corporate Responsibility addresses climate change mitigation and climate change adjustment. The Policy describes the strategy which includes activities for CO_2 reduction (mitigation) and adjustment to climate change (adaptation) across the value chain. The strategy also includes a solution portfolio to help consumers reduce CO_2 emissions (enabling).

HT's project manager for energy efficiency (Energy Efficiency Lead) manages non-financial indicators and measures to reduce electricity consumption. This role closely collaborates with a team dedicated to the same goal within the DT Group and regularly participates in the DT Group's working meetings on consumption plans and measures for reducing electricity consumption. The Energy Efficiency Lead supports HT's Management Board in adopting decisions about long-term and short-term plans and measures for optimising consumption, regularly reporting to HT's Management Board on achievements and the current status. The Energy Efficiency Lead also cooperates with the HT Group's experts in all business segments to ensure everyone is up to date with planning, creating and monitoring measures for optimising consumption.

By adopting the Supplier Code of Conduct and the Code of Human Rights, the HT Group's suppliers commit to reducing negative impacts on climate change when collaborating with HT.

ESRS E1-3 – Actions and resources in relation to climate change policies

E1-I1 / E1-I2 / E1-I3 / E1-I4 / E1-I5 / E1-I6 / E1-I7

The HT Group's commitment to climate protection includes implementing measures to mitigate climate change aimed at decreasing HT's carbon footprint and providing solutions to enable customers to decrease their carbon footprints. Key measures implemented at the HT Group to reduce Scope 1 and 2 emissions are the following:

- Purchasing electricity from renewable sources
- Energy efficiency measures relating to the use of more efficient technologies and decommissioning legacy technologies
- Decrease and modernisation of office space
- Electrification and reducing the vehicle fleet
- Installing heat pumps

In the Republic of Croatia, the HT Group procures electricity from renewable sources through the following mechanisms:

- Via the first ten-year Virtual Power Purchase Agreement (vPPA) for the supply of electricity from renewable sources
- By purchasing electricity that has the "ZelEn" certificate by HEP Opskrba
- By Guarantees of Origin (GOO) on the international market for the remaining consumption generated from utilities in spaces leased from private and business persons for which, according to information from the Croatian Energy Market Operator (HROTE), it is impossible to purchase certificates on the Croatian market.

Crnogorski Telekom in Montenegro procures electricity using the green tariff of the national power utility company Elektroprivreda Crne Gore (EPCG) as well by Guarantees of Origin (GOO) on the local and international market.

The HT Group's strategic approach to the growth trend of business processes related to data centres requires constant investments in their modernisation. The HT Group systematically modernises elements of the electro-energetic and thermomechanical systems with energy-efficient equipment in accordance with global standards (according to Uptime Institute guidelines). In parallel, the strategy of consolidating and modernising data centres is ongoing. The goal is to optimise capacities and business processes in two production, two EDGE and two B2B data centres with highly reliable infrastructure.

ENVIRONMENTAL INFORMATION

ESRS E1 – Climate change (continued)

Along with the mentioned modernisation, AI tools are planned to be introduced to manage parts of the system and, in the future, the entire data centre. By doing that, the optimisation phase would be completed, and energy-efficiency management would be maximised.

The measures relating to the decrease in greenhouse gas emissions in Scope 3 aim to prolong the product life cycle, improve the energy efficiency of devices sold and ensure the sustainable procurement of material and packaging. ICT solutions portfolio of the HT Group for low-carbon economy (smart factories, cloud business) has a positive impact on climate change. Energy-efficient hosting on HT's infrastructure and processes optimisation through the use of online services that can be provided and used via HT's infrastructure and services can directly or indirectly save energy for customers.

All contracts with electronic equipment suppliers are signed at the DT Group level within the Global Framework Agreement with suppliers to ensure alignment with the ecological standards and goals in place. After signing the Agreement at the DT Group level, accession agreements or local agreements for the procurement of electronic equipment are signed. This approach aims to ensure a sufficient number of suppliers capable of meeting market demand for various devices while simultaneously meeting high sustainability standards. The HT Group suppliers have been additionally informed about the requirements of the DT Group for sustainable packaging and have been asked for feedback on the sustainability of their product packaging to find a jointly acceptable solutions for the entire value chain.

Although budget funds are planned for these measures, a precise calculation of the achieved emission reductions is not available, except for Scope 2, market-based. Also, investments of the HT Group in Taxonomy-eligible activities cannot be classified as a capital expenditure plan aligned with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

Targets

ESRS E1-4 – Targets related to climate change mitigation and adaptation

E1-I1 / E1-I2 / E1-I3 / E1-I4 / E1-I5 / E1-I6 / E1-I7

The Science Based Targets concerning decrease in greenhouse emissions of the HT Group were set at the DT Group level and were approved by the Science Based Targets initiative (SBTi).

The sustainability goals of the HT Group relating to climate change mitigation are:

- Continuous goal, procuring 100% electricity from renewable sources
- As part of the DT Group, net zero GHG emissions for direct and indirect energy consumption within the organisation (Scope 1 and 2) by 2025
- As part of the DT Group, by 2030, cut greenhouse gas emissions in the value chain (Scope 1-3) by 55% compared to 2020 (SBTi)
- As part of the DT Group, climate neutrality, with total carbon footprint neutralisation (Scope 1-3) by 2040 (SBTi)

The HT Group has been achieving the goal of procuring 100% electricity from renewable sources from 2021. By achieving this goal, HT has significantly decreased Scope 2 GHG market-based emissions.

The goal of the DT Group, in whose implementation the HT Group participates, is to achieve net zero GHG emissions for direct and indirect energy consumption within the organisation (Scope 1 and 2) by 2025. To achieve this goal, the DT Group is committed to reducing Scope 1 and 2 GHG emissions by 95% compared to the year 2017. Since it is currently impossible to avoid all emissions within the organisation, the remaining emissions will be compensated through compensation measures.

The interim target of decreasing GHG emissions in the value chain (Scope 1-3) of the DT Group by 55% in absolute terms by 2030 compared to 2020 has been confirmed by the Science Based Targets initiative (SBTi). Also, the DT Group's goal, in whose implementation the HT Group participates, is to achieve climate neutrality, i.e. net zero GHG emissions across the value chain (in all three Scopes), by 2040 at the latest. To achieve this goal, it is necessary to decrease GHG emissions by 90% in absolute terms compared to 2020, with a possible compensation of up to 10% emissions. This goal has been aligned with the objectives of the European Green Digital Coalition.

When setting the targets for the GHG emissions reduction and in forecasting their development, various factors were taken into account on the DT Group level: the expected market development (e.g., customer numbers, sales), the technical development in own operations and products as well as regulatory elements (e.g., expansion of renewable energy sources/electricity mix).

More information on the implementation of compensation measures to neutralise the remaining GHG emissions have been published in the climate transition plan of the DT Group and will be published in the future sustainability reports of the HT Group.

The progress of the realisation of climate targets is monitored based on the GHG emissions decrease. The market-based method is used for Scope 2 emissions.

The Science Based Targets initiative (SBTi) has confirmed the DT Group's climate targets in the reporting year are aligned with the Paris Agreement goals according to the new, stricter guidelines. The Science Based Targets initiative has also examined the reference value and designated it as a representative value.

Metrics

ESRS E1-5 – Energy consumption and mix

E1-I1 / E1-I4 / E1-I5

The total electricity consumption in 2024 increased by 6.5% compared to the preceding year, primarily due to the transfer of the company HT Services to the HT Group. In 2024, the share of renewable energy in the total energy consumption amounted to 79% . All electricity consumption from renewable sources relates to the procured green electricity.

The HT Group does not operate in sectors that significantly impact climate.

Energy consumption and mix of the HT Group

MWh	2024	2023
Total fossil energy consumption	**35,559**	**29,445**
Share of fossil sources in total energy consumption (%)	21	19
Consumption from nuclear sources	0	0
Share of consumption from nuclear sources in total energy consumption (%)	0	0
Total renewable energy consumption	**131,869**	**127,738**
- of which: Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.)	0	0
- of which: Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	131,869	127,738
- of which: The consumption of self-generated non-fuel renewable energy	0	0
Share of renewable sources in total energy consumption (%)	79	81
Total energy consumption	**167,428**	**157,183**

ENVIRONMENTAL INFORMATION

ESRS E1 – Climate change (continued)

The indicators are based on reporting data for individual segments and follow from the consumption calculation and data from local energy providers. If these data are unavailable on time, we do extrapolation to forecast consumption without exact consumption data based on the available information about significant consumers. This is done by using consumption data from the preceding year and relevant preceding periods and by using additional information on adjustments in energy consumption.

As described under the section "ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies", an internal control system (ICS) is implemented at the HT Group, ensuring various controls for ESG-related risks, including reporting on energy consumption and electricity from renewable sources. Authorised or accredited certification bodies validate all green energy certificates.

The HT Group tracks its energy efficiency improvements via its network modernisation. The KPI which is used to track this improvement is the energy intensity KPI. This KPI measures energy consumption in relation to the transmitted data volume. Using the data volume transported as the denominator enables establishing a direct link with the efficiency of HT's networks. This indicator takes into account the data volume transported between HT's customers and the respective service providers. The numerator takes into account the total energy consumption from all energy sources – renewable sources and fossil fuels.

The energy intensity of the HT Group has improved compared to the preceding year. The ratio of energy consumption versus the amount of data transferred decreased from 22 kWh/TB in 2023 to 20 kWh/TB in 2024. This KPI is important because large amounts of energy are needed for network operation and maintenance.

ENERGY INTENSITY

167 **Energy consumption**
milions of kWh

8.4 **IP data volume**
milions of terabytes

= **20** **Energy intensity**
kWh / terabyte

ESRS E1-6 – Gross Scope 1, 2, 3 and Total GHG emissions

E1-I1 / E1-I2 / E1-I3 / E1-I4 / E1-I5 / E1-I6 / E1-I7

The HT Group consistently reports on the GHG Scope 1, 2 and 3 emissions so that they can be compared throughout the years. The emissions are presented in tons of CO_2 equivalent (t CO_2e). Within its Integrated System of Environmental, Occupational Health and Safety at Work Management, the HT Group has prescribed procedures for substances affecting the ozone layer, describing the method of monitoring and managing activities related to maintaining various equipment containing substances with potential atmospheric impact. Although these are small quantities, the HT Group records the quantities of gases used in cooling and fire protection systems and devices.

The presentation of GHG emissions across the value chain enables an overview of where in the value chain the majority of GHG emissions occur.

Factors impacting the gross GHG emissions are regularly checked at the DT Group level and in the HT Group companies for joint reporting on the fulfilment of the Science Based Targets of decreasing GHG emissions approved by the Science Based Targets initiative (SBTi).

Market-based and location-based methods are used when calculating GHG emissions relevant in the context of electricity consumption within the organisation. The market-based method considers specific emission factors of the electricity suppliers used by the undertaking. The location-based method considers average emission factors for a geographic area where electricity consumption occurs. The GHG emissions of the HT Group are mainly caused by HT's vehicle fleet, fossil fuel consumption and heating. The HT Group monitors emissions using both methods in accordance with the guidance provided by the GHG Protocol Corporate Standard (GHG Protocol). GHG emissions are reported using market-based and location-based methods in t CO_2e. The HT Group calculates and reports on the emissions of GHG from Scope 1, 2 and 3 based on the guidance provided by the GHG Protocol Corporate Standard. Scope 3 emissions are extrapolated from directly collected data and indirect statistical data.

The primary approach when reporting on GHG emissions of the HT Group is the market-based method. This method means calculating emissions using a specific emission factor. This factor depends on the actual purchase of energy (electricity mix). The purchase of energy from renewable sources has a positive impact of decreasing GHG emissions.

In the location-based method, HT uses the emissions factors from the International Energy Agency (IEA) for the respective country. This method does not consider the actual purchase of energy (electricity mix), i.e., it also does not consider the purchase from renewable energy sources outside of the national mix.

As described in the section "ESRS E1-5 – Energy consumption and energy mix", due to the transfer of the company HT Services to the HT Group, there was an increase in energy consumption, which consequently led to the rise in gross Scope 1 and 2 GHG emissions in 2024 compared to the previous year.

Gross Scope 1, 2, 3 and Total GHG emissions

t CO_2e	2024	2023
Scope 1 and 2 (market-based)	9,112	7,431
- of which: Scope 1	8,728	7,048
- of which: Scope 2 (market-based)	384	383
Scope 2 (location-based)	30,139	23,993
Scope 3 (total)	173,194	151,395
- of which: Scope 3 (upstream emissions)	108,533	93,839
- of which: Scope 3 (downstream emissions)	64,661	57,556
Total GHG emissions (location-based)	**212,061**	**182,436**
Total GHG emissions (market-based)	**182,306**	**158,826**

ENVIRONMENTAL INFORMATION

ESRS E1 – Climate change (continued)

Gross Scope 3 GHG emissions

t CO_2e	2024	2023
Indirect upstream emissions	**108,533**	**93,839**
- of which: Purchased goods and services (Category 1)	46,202	54,683
- of which: Capital goods (Category 2)	36,517	20,985
- of which: Fuel- and energy-related activities (Category 3)	4,790	4,181
- of which: Upstream transportation and distribution (Category 4)	16,814	9,076
- of which: Waste generated in operations (Category 5)	16	73
- of which: Business travel (Category 6)	427	376
- of which: Employee commuting (Category 7)	3,767	4,465
Indirect downstream emissions	**64,661**	**57,556**
- of which: Downstream transportation and distribution (Category 9)	1,473	1,028
- of which: Use of sold products (Category 11)	7,969	7,636
- of which: Disposal and recycling of sold products (Category 12)	311	322
- of which: Use of leased products (Category 13)	49,966	43,457
- of which: Investments (Category 15)	4,942	5,113

The categories of GHG Scope 3 emissions include all upstream and downstream indirect emissions occurring in the value chain of the HT Group. These categories are described in the guidance provided by the GHG Protocol Corporate Standard (GHG Protocol) and include 15 specific emissions categories. Scope 3 includes indirect emissions of category 15 relating to investments. The calculation also includes the emissions of the ownership interest of Croatian Telecom Inc. in the joint venture JP HT d.d. Mostar (Note 1). Categories that are not included in the calculation are Category 8 (Upstream leased assets), 10 (Processing of sold products) and 14 (Franchises) because they are not significant for the HT Group's business model.

HT reports on the indicator "GHG intensity based on net revenue". This indicator includes a ratio of total GHG emissions and net revenue of the HT Group.

GHG intensity based on net revenue

Due to the transfer of the company HT Services to the HT Group, there was an increase in GHG intensity based on net revenue compared to the previous year.

t CO_2e / EUR thousand	2024	2023
Total GHG emissions (location-based) per net revenue	0.19	0.18
Total GHG emissions (market-based) per net revenue	0.17	0.15

E1-7 – GHG removals and GHG mitigation projects financed through carbon credits

In 2024, the HT Group did not have any GHG removals and GHG mitigation projects financed through carbon credits.

E1-8 – Internal carbon pricing

The HT Group does not use internal carbon pricing systems.

ENVIRONMENTAL INFORMATION

ESRS E5 – Resource use and circular economy

Introduction

The linear economic model based on single-use materials has led to unsustainable levels of natural resource consumption, which, besides threatening ecosystem stability, pose an increasing challenge for companies regarding raw material availability. In response to this challenge, business models based on the circular economy principles are increasingly being used, allowing for a more sustainable approach to business.

HT adopts a holistic approach to responsible resource use and implements circular economy principles. Within the HT Group, strategic, proactive and preventive actions are taken to reduce waste generation through maintenance, repairs and equipment renewal, along with reusing materials that represent valuable resources. In the HT Group, waste and materials are recycled in an environmentally responsible manner, particularly regarding waste generated during the construction, replacement and modernisation of network infrastructure.

The DT Group's ambition is to achieve a full circularity of technology and devices across the entire value chain in the future, enabling the reuse of materials. To this end, HT employs various approaches, introduces new offerings and develops collaborations with different stakeholders, including suppliers and customers, to identify shared opportunities and facilitate circular business models. Besides preserving resources and avoiding consumption, the goal is to keep products and materials usable for as long as possible and reintroduce them into the cycle. Through extended use and reuse, multiple positive effects are achieved – saving resources, energy and greenhouse gas emissions, contributing thus to climate protection.

The index below shows the disclosure requirements identified through materiality analysis relating to the topical standard "ESRS E5 – Resource use and circular economy".

ESRS index according to ESRS 2 IRO-2

Disclosure	Designation	Reference
ESRS E5 – Resource use and circular economy		
ESRS 2 SBM-3 E5	Material impacts, risks and opportunities and their interaction with strategy and business model	p. 60 (Use of phase-in provision for ESRS 2 SBM-3 48e)
ESRS 2 IRO-1 E5	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	p. 40
ESRS E5-1	Policies related to resource use and circular economy	p. 60
ESRS E5-2	Actions and resources related to resource use and circular economy	p. 61
ESRS E5-3	Targets related to resource use and circular economy	p. 61
ESRS E5-4	Resource inflows	p. 61
ESRS E5-5	Resource outflows	p. 62
ESRS E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	Use of phase-in provision

Strategy

ESRS 2 SBM-3 E5 – Material impacts, risks and opportunities and their interaction with strategy and business model

The table below shows the material impact of the HT Group's business activities on the environment, which we have identified through a double materiality assessment. Unless indicated by an additional designation as "potential", these are actual impacts connected with the topical standard "ESRS E5 – Resource use and circular economy" and their time frame is not stated. Material risks and opportunities relating to the topical standard "ESRS E5 – Resource use and circular economy" have not been identified.

More detailed information on the interaction of the material impacts, risks and opportunities with the HT Group's strategy and business model is given under the section "ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model".

Material impacts and their interaction with strategy and business model

Value chain	Value chain	Description	Interaction with strategy and business model	IRO code
Resource inflows, including resource use				
Upstream and own business activities	Negative impact	Impact on global consumption of material due to procuring large quantities of products and components for the maintenance and expansion of the fixed and mobile infrastructure (fibre optic and mobile telephony antennas).	Originating from the business model	E5-I1
Waste				
Own business activities and downstream	Negative impact	Waste generated by service companies has a negative impact. Office buildings connected with service provision generate large amounts of waste. Data centres also generate large amounts of waste during their construction and operation. If not adequately disposed of, this waste pollutes the environment. Network expansion and maintenance generate large quantities of electronic waste.	Originating from the business model	E5-I2
Downstream	Positive impact (potential long-term (>5 years))	Potential impact through the zero waste initiative (e.g. Call That You Have to Take). Zero waste includes, on the one hand, a fundamental reduction of waste generation, for example, through reusing or refurbishing existing goods and products, and, on the other, the recovery of raw materials they contain through extensive recycling and reuse in new production.	Originating from the business model	E5-I3

Impact, risk and opportunity management

ESRS E5-1 – Policies related to resource use and circular economy

E5-I1 / E5-I2 / E5-I3

In addition to the use of resources in its core business, the HT Group is aware of its responsibility relating to the resource use in the production and use of HT's products and services and the construction of its network infrastructure. Due to procuring a large quantity of products and components necessary for the maintenance and build-out of the fixed and mobile infrastructure (fibre optics and mobile telephony antennas), the HT Group has a significant impact on global material consumption. The HT Group continuously works on improvements to implement the circular economy principles within the organisation and across the value chain. The long-term goal of the HT Group is to have a positive influence on production in terms of producing more durable products and materials (which are essential for the provision of HT's services), as well as ensuring higher rates of proper disposal and recycling at the end of a product's life cycle through zero-waste initiatives. Zero waste implies, on the one hand, a fundamental reduction in waste generation, e.g., through the reuse or refurbishment of existing goods and products, and on the other hand, the recovery of contained raw materials through extensive recycling and reuse in new production.

ENVIRONMENTAL INFORMATION

ESRS E5 – Resource use and circular economy (continued)

Most of the waste in the HT Group's operations is generated during the modernisation of network infrastructure. A large quantity of waste is also generated by service companies, office buildings related to service provision and data centres during their construction and operation. If this waste is not diverted from disposal, it pollutes the environment. To manage this waste effectively, the HT Group employs the "Prevent – Reduce – Reuse – Recycle" approach to minimise harmful impacts in the context of resource inflows and their use in network technology. Encouraging the reuse of products and materials reduces the need for raw materials. Furthermore, the HT Group strives to repair network technology components or continue using them in other areas, reducing the need for new equipment. However, given the ongoing investments in network expansion, the volume of procurement of materials is expected to remain at a comparable level.

The HT Group's Environmental, Health and Safety at Work Policy is a fundamental document through which the HT Group manages its overall environmental footprint. This policy reflects HT's commitment to environmental protection and the well-being of employees, covering a large part of the aspects of the HT Group's operations. The HT Group's Management Board is directly responsible for establishing and implementing this Policy. The Policy is aligned with the new requirements and it reflects a continuous commitment to managing environmental impacts by the integrated environmental, health and safety management system requirements according to ISO 14001 and ISO 45001 standards.

ESRS E5-2 – Actions and resources about resource use and circular economy

E5-I2

The HT Group's commitment to responsible waste management is a key part of company's operational practices, with a special focus on the recycling of HT's technological waste. All forms of waste, whether office or technological, are collected and disposed of separately in collaboration with authorised collectors and processors by internal procedures of the Environmental Management System according to ISO 14001 and internal guidelines. The HT Group employs staff who are responsible for operational waste management. All waste amounts are tracked by their location of origin and key indicators through an internal IT solution, enabling effective internal and external reporting.

Handling of technological waste is carried out by contractual partners who dismantle equipment. The equipment is then sold with mandatory official waste documentation or reused (the so-called "reuse"). The remaining waste is handed over to authorised collectors and/or waste processors for recycling. All electronic waste (EE) is delivered exclusively to authorised companies in Croatia, which have contracts with the Environmental Protection and Energy Efficiency Fund. The same practices are applied by Crnogorski Telekom, which has been responsibly disposing of waste by delivering it to licensed agencies that process waste in an environmentally friendly manner. Crnogorski Telekom provides annual reports on generated waste for the previous year to the Environmental Protection Agency (AZZS), the Environmental Inspection and Monstat in Montenegro. The collection and processing of waste is conducted through collection networks of electric and electronic waste processors, who are obliged to collect waste (through their collection networks) from holders of EE waste free of charge.

E5-I1 / E5-I3

Regarding suppliers and customers, the HT Group sets internal goals and implements initiatives for more sustainable procurement by focusing on the use of products and telecommunications network infrastructure. The goal is to make the products and materials that are part of HT's service packages as durable as possible to ensure their proper disposal and the recycling of valuable raw materials. The HT Group has also incorporated circularity into its business offerings by implementing the "Take Back & Recycle" model, where customers bring in old electronic equipment and periodically receive discounts on new devices through campaigns. The most important aspect of the HT Group's "Take Back & Recycle" initiative is ensuring that all customers can return and properly dispose of their devices. As part of its environmental protection platform "Call You Have to Take", the HT Group has ensured conditions for accepting and safely disposing of used electronic devices in all T-Centres. The HT Group's continuous efforts and dedication in implementing the "Take Back & Recycle" device return initiative have been recognised with the #GreenMagenta label, placing HT among the first members of the DT Group to meet high environmental responsibility standards. The HT Group's campaign, which consistently promotes the recycling of e-waste, proper disposal and the use of recycled materials, not only reduces the amount of e-waste, the fastest-growing waste category in the European Union, but also positively impacts carbon footprint reduction efforts. In 2024, through its "Call You Have to Take" platform and the initiative to collect mobile equipment at Crnogorski Telekom, the HT Group collected and safely disposed of more than 40 thousand mobile electronic devices. The HT Group also continuously collects and renews its fixed-line equipment leased to customers. More than 246 thousand pieces of fixed-line equipment were collected from customers in 2024.

Targets

ESRS E5-3 – Targets related to resource use and circular economy

E5-I2 / E5-I3

The continuous goal of the HT Group is recycling 100% of the HT Group's technological waste. This target rests on the renewed commitment of the Management Board, which was confirmed by adopting the Sustainability Strategy of the HT Group in 2023. This target relates to adequate disposal or recycling of technological waste in accordance with the Waste Management Act of the Republic of Croatia (Official Gazette of the Republic of Croatia, No. 84/2021) and the Waste Management Act of Montenegro (011/24-553/2-01), i.e. eliminating waste sent to landfills. The objective of the HT Group in this respect is to apply the "Prevent – Reduce – Reuse – Recycle" approach and thus avoid incinerating electronic waste. The minimum objective is to ensure full recycling of the HT Group's electronic waste collected from customers in the reporting year. The HT Group has been achieving this objective since 2021.

The HT Group has not set any other measurable and outcome-oriented targets related to significant impacts identified in this topical standard.

Metrics

ESRS E5-4 – Resource inflows

E5-I1

The primary resource inflows related to negative impact to global resource consumption by network maintenance and expansion include mobile telephony antennas and fibre optic cables. Data is collected for fibre optic cables including micro and mini cables used in network infrastructure, and passive and active mobile telephony antennas.

Total weight of products and technical and biological materials used in the reporting period

t	2024
Fibre optic cables	54
Mobile telephony antennas	167
Total amount	**221**

Using biological materials to expand and maintain network infrastructure is primarily limited to using paper in packaging, constituting an insignificant portion of the total weight. HT does not have information from manufacturers about the total proportion of paper in packaging; therefore, this is an estimate.

Estimates are also made when collecting data on optical cables and mobile telephony antennas. In the case of fibre optic cables, estimates are based on information about the total length of the purchased cables and the average weight per unit of length. The number of antennas is multiplied by the average weight per piece to calculate the total weight of mobile telephony antennas. Two weight categories are used when collecting data about cables and antennas to gather information about the weight of different types of cables and antennas per unit as accurately as possible.

It was not practical to assess the weight, as an absolute value and percentage, of the unprocessed and reused or recycled parts, semi-products and materials that are used for the manufacturing of the stated products and this is why this has not been disclosed.

ESRS E5-5 – Resource outflows

E5-I2

Most of the waste generated in HT Group's operations, which pollutes the environment if not treated responsibly, is categorised as technological waste. Therefore, it is a continuous goal of the HT Group to recycle 100% of technological waste, which HT has been achieving since 2021. The HT Group monitors the following categories of technological waste: electronic waste, cables and other types of technological waste. Non-technological waste is divided into paper, municipal and other non-technological waste. These items are further categorised into hazardous and non-hazardous waste. The amount of waste by type is determined by weighing and is based on official data from the authorised collector/recoverer. All waste is recycled and not disposed of in landfills. For one type of waste that is marked with a "D" (disposal) instead of an "R" (recycling) on the accompanying document, a verification process is conducted with the processor, who confirms that specific components of the waste are recycled and that nothing ends up in a landfill. If official data for the preceding period are not received from the waste processor, estimates are made based on the data from the preceding period of the current year or the same period in the preceding year.

Total amount of waste related to own business activities

t	2024	2023
Total amount of waste diverted from disposal	**742**	**628**
Percentage of waste diverted from disposal (%)	100	100
a) Hazardous waste diverted from disposal	408	376
- of which: Prepared for reuse	0	0
- of which: Recycling	408	376
- of which: Other recovery procedures	0	0
b) Non-hazardous waste diverted from disposal	334	252
- of which: Prepared for reuse	0	0
- of which: Recycling	334	252
- of which: Other recovery procedures	0	0
The total amount directed to the disposal	**0**	**0**
Percentage of waste directed to disposal (%)	0	0
a) Hazardous waste directed to disposal	0	0
- of which: Incineration	0	0
- of which: Landfill	0	0
- of which: Other recovery procedures	0	0
b) Non-hazardous waste directed to disposal	0	0
- of which: Incineration	0	0
- of which: Landfill	0	0
- of which: Other recovery procedures	0	0
Total amount of generated waste	**742**	**628**
Total amount of non-recycled waste	0	0
Percentage of non-recycled waste (%)	0	0
Total amount of hazardous waste	408	376
Total amount of radioactive waste	0	0

In the field of network technologies and IT, the materials present in waste include metals, rare earths, non-metallic minerals and plastics. These elements can be found in the waste generated by active technology (e.g., transmitter and receiver technology, storage technology, etc.) and passive technology (e.g., cables, technical casings, etc.). The same applies to devices customers return relating to fixed telephony (e.g., routers, repeaters, media receivers, etc.) and mobile telephony (e.g., smartphones, tablets, etc.).

As already described under the section "ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies", an internal control system (ICS) is implemented at the HT Group that ensures the conducting of various controls relating to ESG-related risks, including reporting on generated waste. An independent third party conducted the ICS testing for 2024, which included the data and indicators relating to circularity/waste.

Besides that, the HT Group regularly reports its generated waste amounts to the Register of Polluters (ROO) based on the location where the waste is generated. The data about waste generation for 2023 were reported to the ROO database and verified by the Office for Environmental Protection of the City of Zagreb and by the respective offices in Croatian counties. The reporting of waste generation data for 2024 to the Register of Polluters is currently underway (according to the Ordinance on the Register of Polluters (Official Gazette of the Republic of Croatia, No. 3/22), the statutory deadline for data delivery is until 1 March of the current year for the preceding year). Crnogorski Telekom regularly reports its generated waste amounts to the Environmental Protection Agency (AZZS) following the Waste Management Act. The waste generation data for 2023 were reported to the AZZS and were approved by it. The preparation of the data on waste generation for 2024 is underway. Following the Waste Management Act, the deadline for data delivery is until 1 March of the current year for the preceding calendar year.

SOCIAL INFORMATION

ESRS S1 – Own workforce

Introduction

The HT Group is aware that the key to success lies in the satisfaction and motivation of our employees. Therefore, the HT Group cultivates relationships with its employees based on mutual respect and responsibility, which contributes to excellent results in the long term. HT continuously listens to the opinions of its employees, respects them and closely monitors their needs to ensure a high level of engagement of all employees, which positively reflects the ever-increasing status of HT as a highly desirable employer.

The HT Group is committed to creating a working environment where everyone can realise their full potential and is provided with equal opportunities, harbouring inclusiveness and zero tolerance of discrimination. The HT Group realises its commitment to this goal by fostering the HT Group's Guiding Principles and having a transparent recruitment and promotion process, working dynamics that enable flexible working hours and various action protocols that ensure a high level of workers' rights. HT recognises the importance of diversity in the corporate environment and strives to further increase it at all organisational levels .

The index below shows disclosure requirements identified through materiality analysis relating to the topical standard "S1 – Own workforce".

ESRS index according to ESRS 2 IRO-2

Disclosure	Designation	Reference
ESRS S1 – Own workforce		
ESRS 2 SBM-2	Interests and views of stakeholders	p. 39
ESRS 2 SBM-3 S1	Material impacts, risks and opportunities and their interaction with strategy and business model	p. 63 (Use of phase-in provision for ESRS 2 SBM-3 48e)
ESRS S1-1	Policies related to own workforce	p. 64
ESRS S1-2	Processes for engaging with own workers and workers' representatives about impacts	p. 65
ESRS S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	p. 65
ESRS S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	p. 66
ESRS S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	p. 67
ESRS S1-6	Characteristics of the undertaking's employees	p. 67
ESRS S1-8	Collective bargaining coverage and social dialogue	p. 67
ESRS S1-9	Diversity metrics	p. 68
ESRS S1-14	Health and safety metrics	p. 68
ESRS S1-16	Compensation metrics (pay gap and total compensation)	p. 68
ESRS S1-17	Incidents, complaints and severe human rights impacts	p. 68

Strategy

ESRS 2 SBM-3 S1 – Material impacts, risks and opportunities and their interaction with strategy and business model

The table shows the material impact of the HT Group's business activities on workers' rights, which has been identified through a double materiality assessment. Since the material impacts connected with the topical standard "ESRS S1 – Own workforce" are actual impacts, a time frame is not stated. Material risks and opportunities related to the topical standard "ESRS S1 – Own workforce" have not been identified.

More detailed information on the interaction of the material impacts, risks and opportunities with HT's strategy and business model is given under the section "ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model".

Material impacts and their interaction with strategy and business model

Value chain	Impact	Description	Interaction with strategy and business model	IRO code
Working conditions				
Own business activities	Positive impact	High level of rights arising from the Collective Agreement and collaboration with the unions	Originating from the business model	S1-I1
Own business activities	Positive impact	Health and safety programmes lead to a sustainable positive impact on employees' health.	Originating from the business model	S1-I2
Own business activities	Negative impact	*Burnout and stress*	Originating from the business model	S1-I3
Own business activities	Negative impact	The service sector has specific negative impacts on the health and safety of employees in this area of business. The telecommunications industry generally has a low physical risk for employees. However, there are health risks for technicians or construction workers due to working with high-voltage equipment, working on heights or other activities related to health and safety.	Originating from the business model	S1-I4
Equal treatment and opportunities for all				
Own business activities	Positive impact	HT's initiative for equal pay and gender equality	Originating from the business model	S1-I5
Own business activities	Positive impact	Internal processes positively affect the workforce through a broad portfolio of measures concerning anti-discrimination and diversity.	Potječe iz poslovnog modela	S1-I6

Concerning the review of material impacts on own employees, only employees of the HT Group have been included. Self-employed persons or persons provided by third-party undertakings that primarily deal with recruitment services make up less than 5% of the cost of the entire workforce, and therefore, potential material impacts related to workers whom HT does not employ have not been included in this report.

SOCIAL INFORMATION

ESRS S1 – Own workforce (continued)

Impact, risk and opportunity management

ESRS S1-1 – Policies related to own workforce

Working conditions (Collective bargaining, including rate of workers covered by collective agreements; Social dialogue)

S1-I1

The HT Group respects the right to association and collective bargaining in accordance with national legislation, whereby employees exercise a high level of rights arising from the Collective Agreement and collaboration with the unions. Due to different legal and contractual requirements in certain countries, these topics are managed in a decentralised manner, and agreements with workers' representatives are entered into by the companies that make part of the HT Group individually.

The approach to managing material impacts related to social dialogue and the freedom of association is based on the HT Group's Code of Human Rights. This Code describes HT's values and standards, which are more concretely stated in guidelines, directions and processes that create the framework for the HT Group's business conduct.

The principles and expectations outlined in the Code of Human Rights apply in equal measure to HT's employees, suppliers and business partners of the HT Group. HT is committed to respecting and promoting human rights and environmental concerns everywhere the HT Group operates, including in its supply chain and business partners.

HT's principles and expectations regarding employees are the following:

- Prohibition of child labour,
- Prohibition of forced labour and all forms of slavery,
- Occupational safety and health protection at work,
- Freedom of association and the right to collective bargaining,
- Prohibition of unequal treatment in employment,
- Adequate living wage,
- Zero-tolerance approach to violence or harassment of any sort,
- Training.

The Code of Human Rights is available on HT's web page to all employees of the HT Group, their interested parties and external stakeholders. Besides the Code of Human Rights, the following policies and guidelines regulate own employee care:

- Code of Conduct,
- Diversity, Equity and Inclusion (DE&I) Policy,
- Social Charter,
- Collective Agreements,
- Quality, Health, Safety and Environment Management System.

Besides that, the HT Group obliges its business partners and suppliers to adhere to the principles and values outlined in HT's Supplier Code of Conduct, described under the section "ESRS S2-1 – Policies related to value chain workers". These principles have been aligned with the Code of Human Rights.

In the Code of Human Rights, along with the legal requirements, the HT Groups commits to adhering to numerous international reference instruments to protect human rights and environmental concerns. Currently, these are:

- "International Bill of Human Rights", consisting of the "Universal Declaration of Human Rights" and "International Covenant on Civil and Political Rights", within which the civil, political and social rights that everyone is entitled to are set out,
- "International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work" defining its five basic principles, namely the freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labour, effective abolition of child labour, elimination of discrimination in respect of employment and occupation, and a safe and healthy working environment,
- "OECD Guidelines for Multinational Enterprises" of the Organisation for Economic Co-operation and Development and principles of UN Global Compact,
- Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration) of the International Labour Organisation (ILO),
- United Nations Guiding Principles on Business and Human Rights.

Through this voluntary obligation, the HT Group also adheres to minimum safeguards required to align economic activities with the provisions of the Taxonomy Regulation. Minimum safeguards require a management system that can be used to monitor the alignment with the above-stated reference instruments. In accordance with that, HT's human rights protection processes and preventive measures are based on risk management through a management system covering the DT Group and its supply chain, which is used to monitor the alignment with social and environmental standards. Additionally, HT regularly engages in confidential dialogue with employee representatives and unions.

HT's Management Board is responsible for adherence to the Code of Human Rights. The Human Rights Officer has the supporting role of monitoring the adherence to the commitments undertaken by adopting this Code.

If, based on our risk analysis, we establish that a violation of our human rights has already or is imminent, we immediately take appropriate measures to provide remedies as described in the Code of Human Rights, under the chapter "Remedial action". The objective of remedial actions is to stop the violation.

Since 2016, a programme has been put in place at the level of the Deutsche Telekom Group to ensure compliance with human rights and environment-related due diligence in accordance with the above-mentioned international reference instruments. Within this programme, a human rights analysis was carried out, and both external and internal experts were involved in preparing the Code of Human Rights. The analysis allowed us to identify groups of individuals that may be positively or negatively affected by the business process of the DT Group and DT considered their interests when preparing the Code of Human Rights. This includes the employees in the DT Group companies, employees of the DT Group's direct and indirect suppliers, individuals at the DT Group's customers, children, young people and people in affected communities. When carrying out due diligence processes, special attention is paid to the interests of particularly vulnerable groups such as children, young people, women, migrant workers and other members of national or ethnic, religious or linguistic minorities. At the DT Group level, the procedures for identifying vulnerable groups are constantly refined and reviewed at least once a year after conducting the annual human rights and environmental risk analysis. At HT, data on employee satisfaction, i.e. on the topic of labour rights, are proactively collected using regular employee surveys. An anonymous survey within the double materiality assessment process also checked potential negative impacts on employees.

Working conditions (Health and safety)

S1-I2 / S1-I3 / S1-I4

The key to a productive employee is their health. The HT Group recognises the importance of our employees' physical and mental health and the connection of these aspects to individual productivity and result achievement. Occupational health and safety programmes of the HT Group have a sustainably positive impact to the employees' health. On the other hand, the service sector is associated with certain negative impacts on the health and safety of employees. The recognised negative effect relates to employee burnout and stress. The telecommunications industry generally has a low physical risk for employees, but there is a health risk for technicians or construction workers due to working under voltage, working at heights or other activities related to health and safety.

Managing this topic is of strategic importance to HT. This topic is managed by the Occupational Health and Safety Regulations, the Job Risk Assessment, the Health and Safety Protection Policy at Work, various training manuals for safe working practices and fire safety, and various guidelines for safe working practices across all work sites . In addition to the above policies, HT also adheres to national legislative framework. In the Republic of Croatia, this includes European guidelines, directives and recommendations by the European Centre for Disease Prevention and Control (ECDC), recommendations and guidelines of the Croatian Institute of Public Health (HZJZ). In Montenegro, this includes the Health and Safety at Work Act, the Protection and Rescue Act, the Act on Restricting the Use of Tobacco Products and the Road Safety Act. The entire HT Group operates according to the guidelines and instructions of the World Health Organisation (WHO). HT and Crnogorski Telekom have also obtained certification for the international standard for occupational health and safety management, ISO 45001:2018.

SOCIAL INFORMATION

ESRS S1 – Own workforce (continued)

When managing impacts, HT relies on various indicators to assess the functionality of HT's occupational health and safety systems. One of these indicators is the implementation status of workplace safety, based on internal audits of compliance with workplace safety rules and findings from inspection authorities. We also monitor the frequency and causes of workplace injuries, occupational diseases, work-related illnesses and accidents at work and the severity of their consequences. Additionally, we take into account the results of the analysis of decisions and conclusions from committee meetings and we track employee satisfaction indicators related to occupational health and safety through satisfaction surveys. The effectiveness of HT's safety system is also evaluated by the Management Board .

Member of the Management Board and Chief Operating Officer for Human Resources and Customer Operations (COO) is in charge of this segment and appoints and assigns employees from the Human Resources Service Management Department to perform specialised occupational health and safety tasks. They receive support from other sectors or departments as needed, depending on the nature of the work. They are supported by managers, team leaders, worker representatives for occupational safety and contracted specialist occupational medicine doctors. At the regional level, there are 4 occupational safety committees and a Central Occupational Safety Committee that serves as an advisory body for improving occupational safety. These committees meet at least once every 6 months.

Equal treatment and opportunities for all (Gender equality and equal pay for work of equal value; Measures against violence and harassment in the workplace; Diversity)

S1-I5 / S1-I6

Respect and integrity are key to the long-term business success of the HT Group. The HT Group strives for diversity and is seen as a source of different ideas, a driver of debates and an impetus for improvements, resulting in innovations, better solutions and improved business results. This is why creating a working environment of equal opportunities and inclusivity is essential, decreasing the negative impacts of unconscious biases and zero-tolerance of any form of discrimination. With a broad portfolio of measures related to anti-discrimination and diversity and initiatives for equal pay and opportunities as well as gender equality, the HT Group achieves a positive impact on equal treatment and opportunities for its employees. The values whereby HT strives to achieve these goals are defined by the 6 Guiding Principles, which are known to the entire organisation. Each of the Guiding Principles stated under the section "ESRS G1-1 – Business conduct policies and corporate culture" and we expect every individual to understand and apply them in their work. Two of the 6 Guiding Principles relate to the respect for others and a sense of belonging.

HT has adopted several codes of conduct, policies and regulations that affirm its commitment to respecting diversity and inclusivity. HT is among the first signatories of the Diversity Charter, which raises awareness of the importance of diversity in the business world and in society as a fundamental value of modern society. These values are also embedded in the Diversity, Equity and Inclusion (DE&I) Policy, the Code of Human Rights, the Social Charter, the Code of Conduct, the Digital Ethics Guidelines and the Collective Agreement.

By adopting the Diversity, Equity and Inclusion (DE&I) Policy, which is available on HT's web page, HT committed itself to respecting international instruments such as the Universal Declaration of Human Rights, the Organisation for Economic Co-operation and Development's (OECD's) Guidelines for Multinational Enterprises, the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labour Organisation (ILO), the Convention on the Organisation for Economic Co-operation and Development, the Guiding Principles for Multinational Enterprises and the 10 principles of the UN's Global Compact. Furthermore, HT adheres to the guidelines from EU directives against discrimination and the local law in the respective countries of the HT Group's footprint.

At the HT Group, the organisational units in charge of human resources, compliance and legal affairs are in charge of the strategy and management of all measures to strengthen diversity, equity and inclusion referred to in the Diversity, Equity and Inclusion (DE&I) Policy. Implementing measures to boost diversity, equity and inclusion is aligned with HT's business goals and strategy.

The HT Group has zero tolerance towards any form of direct or indirect violence, discrimination or harassment at work – either on the internet or in person. Also, we do not tolerate any form of racism or antisemitism. Furthermore, whenever they represent any of the HT Group companies, employees must avoid any behaviour that includes discrimination or harassment of other individuals. This also includes the external presentation of the HT Group (e.g. marketing activities). HT is committed to zero tolerance for any form of sexual harassment in the workplace. We treat all incidents seriously throughout the HT Group and investigate all sexual harassment allegations. Any allegations of deliberate misconduct are punishable following applicable statutory provisions, regardless of the rank and position of the individual in question within the HT Group.

ESRS S1-2 – Processes for engaging with own workers and workers' representatives about impacts

S1-I1

HT realises the high level of rights stemming from collective agreements and collaboration with unions through a long history of dialogue with its social partner, i.e. working with the workers' representatives and unions of the HT Group. This is evident in ensuring adequate pay and workers' social rights in line with the Code of Human Rights and international instruments described under the section "ESRS S1-1 – Policies related to own workforce".

S1-I5 / S1-I6

Also, HT proactively manages this topic by collecting data on employee satisfaction, i.e. on labour rights through regular employee surveys, which serve to verify the contribution to equal treatment and opportunities for all. The survey results in 2024 have shown that the satisfaction level is stable, with minor oscillations. Concerning diversity and non-discrimination, HT continuously scores high. Most employees believe that, at HT, everybody has equal opportunities for employment and career development, regardless of age, gender and gender identity, sexual orientation, physical and mental abilities, nationality, social and ethnic origin, political beliefs, religion and worldview and that HT provides a safe working environment for everyone, where inappropriate behaviour is not tolerated, irrespective of the aforementioned categories.

Regarding health and safety, HT monitors and collects complaints and observations of employees, individuals at work and workers' safety representatives when identifying workplace hazards, harmful factors and strains. The list and contacts of HT's occupational health and fire protection experts are accessible to employees on the intranet. For direct reporting, questions or comments regarding occupational health and safety, employees can use direct e-mail contact of the occupational health and fire protection department or other digital tools (like the HPSM Service Management Desk). During the year, the occupational health and safety committee holds at least two meetings with all representatives-worker safety delegates, to which employer representatives and occupational safety experts are invited (and, if necessary, labour inspectors and occupational health specialists). The Company has a total of four appointed professional delegates and fifteen workers safety delegates whose duty is to protect workers' interests concerning occupational safety and to monitor the application of rules, measures, procedures and activities related to safety at work.

It is a legal obligation to establish an occupational safety committee. In HT, at the regional level, there are four occupational safety committees and a Central Occupational Safety Committee, which serves as an advisory body for improving occupational safety, with sessions held at least once every six months. The Committee consists of the employer or its authorised representative, an occupational safety expert performing safety tasks for the employer, an occupational medicine specialist appointed in accordance with specific regulations and a worker safety delegate or their coordinator.

The described permanent mechanisms, which include social dialogue, employee satisfaction surveys and mechanisms for expressing opinions, serve as input information for assessing the materiality of the impacts, risks and opportunities relating to own workforce. HT's approach of stakeholder inclusion has been described in more detail under the sections "ESRS 2 SBM-2 – Interests and views of stakeholders" and "ESRS 2 IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities".

ESRS S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns

S1-I3 / S1-I4 / S1-I5 / S1-I6

If any of HT Group's employees feel threatened, perceive discriminatory practices against them or are aware of such actions at the HT Group, they can utilise the grievance mechanism through the "Tell Me!" website or submit an anonymous report via the Ethics Line. They may also directly contact authorised persons responsible for receiving and resolving complaints about protecting workers' dignity. If, as described under the section "ESRS S1-1 – Policies related to own workforce", a violation of human rights has occurred or is imminent, appropriate remedial action is immediately undertaken to prevent, stop or decrease the scope of violation. In accordance with internal acts, if a complaint of discrimination on any grounds is found to be justified, the designated person handling complaints related to the protection of workers' dignity is obliged to alert the Company of the need for urgent measures to prevent further harassment or sexual harassment. The manner of informing HT's employees on how to raise concerns is described under the section "ESRS G1-1 – Business conduct policies and corporate culture".

SOCIAL INFORMATION

ESRS S1 – Own workforce (continued)

Negative impacts on employees relating to health and safety are monitored at HT by conducting various activities to alleviate and prevent such impacts. Identifying significant negative impacts, risks and opportunities is key to planning and implementing measures to track their realisation. Risks are identified through a risk assessment process. If a risk is identified as high or significant, HT implements a series of measures, such as education, disease prevention and health campaigns to mitigate or eliminate the identified risk. Through periodic checks such as tests, examinations, internal audits and inspections, HT continuously assesses HT's system of preventive measures to ensure its adequate implementation, applicability and effectiveness.

ESRS S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Working conditions (Collective bargaining, including rate of workers covered by collective agreements; Social dialogue)

S1-I1

The rights of employees within the HT Group are different depending on which company they work for, and they are adequately adjusted to the type of job and employee. Employee rights are defined by regulations published in official gazettes or on the intranet at least 8 days before they enter into force. As stated under the section "ESRS S1-8 – Collective bargaining coverage and social dialogue", 92% of all HT Group's employees are covered by collective agreements. In the Republic of Croatia, a three-year Collective Agreement of HT is in force until 31 December 2026, while Combis' employee rights that go beyond the leally prescribed level of labour rights are defined by the respective regulations. In Montenegro, a three-year Collective Agreement of Crnogorski Telekom is in force, which was signed in 2023.

The Collective Agreement of HT maintains the high level of employee rights from the preceding agreement, including the inflation adjustment, which has been additionally increased from October 2024. This Collective Agreement has significantly improved the pay grade boundaries, increased the wage budget, raised minimum wages by as much as 37% and secured the following additional rights for employees:

- Abolishing eight pay grades and reclassification of employees into four job categories,
- Adjustment of wage and other rights in accordance with the new job category,
- Minimum wage increase to EUR 900 in January, with a further increase to EUR 1,000 in October 2024,
- More than 3,000 employees had a wage increase as a result of the adjustment of wages and career path,
- Increase of the Easter bonus to EUR 130,
- Increase of the vacation and Christmas bonus to a total of EUR 470,
- Increase in the statutory minimum severance pay from 1/3 of the wage to 1/2 of the wage.

Employees to whom HT's Collective Agreement does not apply can belong to HT managers or be employees of other HT Group companies. The rights of these employees are defined by the Work Regulations of the company of their employment. All employees' rights are higher than those prescribed by the Labour Act, and the concrete rights vary from company to company, i.e. they are aligned with the type of job and type of employee of a particular HT Group company.

The Collective Agreement of Crnogorski Telekom covers all employees of the HT Group in Montenegro. Apart from this Agreement, a wage agreement for a shorter period was signed to allow annual adjustments based on the inflation rate.

Working conditions (Health and safety)

S1-I2 / S1-I3 / S1-I4

The plan of preventive measures refers to rules, measures, procedures and activities aimed at preventing and reducing risks to ensure a higher level of occupational health protection. At HT, we periodically review the implementation of the measures plan, considering the set deadlines, key implementers and processes for measure control. This plan considers the following indicators:

- Implementation status of occupational health protection based on findings from internal audits of the application of occupational health and safety rules at workplaces, as well as conclusions from inspection authorities
- The frequency of workplace injuries, occupational diseases, work-related illnesses and workplace accidents, considering their sources, causes and severity of consequences
- Complaints and observations of employees, individuals at work and workers' safety representatives on the implementation of occupational health and safety measures, along with their suggestions regarding the identification of hazards, harmful factors and strains in the workplace
- Analysis of the implementation of decisions and conclusions from occupational health and safety committee meetings
- Indicators of employee satisfaction with occupational health and safety, measured through employee satisfaction surveys.

HT employees receive annual medical check-ups and discounts on our partners' various health services. HT also continuously encourages employees to take advantage of these services, periodically reminding them through internal channels about the availability of these services. HT employees are also provided with various educational content on physical and mental health, including articles, webinars, face-to-face (F2F) sessions and workshops accessible to all employees. HT has contracted occupational health services in all regions in accordance with legislation on specific healthcare and health insurance.

HT ensures appropriate health monitoring for its employees, tailored to the risks, hazards and stresses they may encounter during work. All companies of the HT Group are obligated to provide all employees with an accident insurance coverage, 24 hours a day, both domestically and internationally. This means all employees are insured with a 24-hour policy regardless of whether an accident occurs at or outside of work. The accident insurance policy with an authorised insurance company covers all employees in case of death caused by an accident or permanent disability resulting from an accident. HT has also arranged for daily allowances for temporary incapacity for work and coverage of hospitalisation costs.

The HT Group regularly conducts training in health and safety at work to ensure that every employee knows how to behave responsibly and safely, and to reduce workplace accidents. Following our efforts to promote health among our employees, we conduct various activities and projects to raise the awareness of our employees that they need to take care of their health.

Equal treatment and opportunities for all (Gender equality and equal pay for work of equal value; Measures against violence and harassment in the workplace; Diversity)

S1-I5 / S1-I6

To promote diversity and non-discrimination at HT, besides adopting policies, HT runs a series of activities to educate and raise awareness about unconscious bias and sensitise individuals towards each other. HT managers are educated about HT's Guiding Principles through programmes such as "Leadership Anchors – the Modification of Principles for Managerial Perspectives" to ensure organisational values are successfully applied in their work. Employees undergo education on the Guiding Principles through development programmes that are part of their career path, contributing further to the development of the work environment. Additionally, HT raises employee awareness through its "Diversity and Inclusion" website with articles and videos, including the series "Everyone Can Be Themselves Here", which features testimonials and stories from employees who are in some way different from the majority. HT's HR department monitors the statistical representation of all groups in key processes and implements various activities to promote inclusivity so that all employee groups are adequately included. At Crnogorski Telekom, company values and its stance on discrimination are continuously communicated through Employee Notices about the prohibition of harassment, rights, obligations and responsibilities related to harassment, methods of recognising it and options to be protected from harassment.

HT also demonstrates equality through equal pay for equal work for all employees regardless of their gender, political, ethnic, religious or any other diversity. Our job positions are systematised and categorised into corresponding wage grades and published in HT's Regulations on Organisational Structure and Job Systematisation. Wage ratios are defined in the Wage Regulations and in the Collective Agreement. The gender pay ratio for men and women is shown under the "ESRS S1-16 – Compensation metrics (pay gap and total compensation)" section, proving that HT lives its values. An analysis conducted at HT has shown that HT's efforts to reduce the gender pay gap have been successful. HT is one of 16 companies in the Republic of Croatia to be awarded the "Equal Pay Champion" certificate by the SELECTIO Group.

SOCIAL INFORMATION

ESRS S1 – Own workforce (continued)

Targets

ESRS S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

S1-I5

Inclusion of all people, whereby everyone in the Company feels respected and included, is one of the pillars of the Sustainability Strategy of the HT Group. The continuous goal of the HT Group is maintaining the percentage of women in management positions at 40%. This target is based on the renewed commitment of the Management Board, which has been confirmed by adopting the Sustainability Strategy of the HT Group in 2023 and underlines the ambition of the HT Group to advance gender equality at all levels in the Company, especially in management positions. The objective was set in earlier periods and related to HT only. However, since there have been significant acquisitions in the last couple of years, there has been a decrease in the ratio of women in management positions. As stated under the section “ESRS S1-9 – Diversity metrics”, the proportion of women in management positions in the HT Group amounted to 34% at the end of this reporting period.

The HT Group has not set any other measurable and outcome-oriented targets related to significant impacts identified in this topical standard.

Metrics

The following data has been consolidated at the HT Group level. The unit of measurement concerning the workforce number is the number of individuals. The number of individuals (head count) is expressed as number of individuals in employment relationship as at 31 December 2024.

ESRS S1-6 – Characteristics of the undertaking’s employees

In 2024, the HT Group’s headcount was 5,751.

Employees headcount per gender

headcount	2024
Gender	**Employee headcount (number)**
Male	3,728
Female	2,023
Other	0
Not reported	0
Employees total	**5,751**

Headcount in countries where the undertaking has at least 50 employees representing at least 10% of its total number of employees

headcount	2024
Country	**Employee headcount (number)**
Republic of Croatia	5,271
Montenegro	447

Information on employees per contract type, breakdown per gender

headcount	2024				
	Women	**Men**	**Other**	**No information**	**Total**
Number of employees	**2,023**	**3,728**	**0**	**0**	**5,751**
- of which: Number of permanent employees	1,932	3,497	0	0	5,429
- of which: Number of temporary employees	91	231	0	0	322
- of which: Number of non-guaranteed hours employees	0	0	0	0	0

In the reporting year, 446 employees left the Company. The fluctuation rate in 2024 was 8%.

ESRS S1-8 – Collective bargaining coverage and social dialogue

S1-I1

The percentage of employees covered by collective agreements in 2024 was 92%. In the Republic of Croatia, the Collective Agreement of HT is in force, which is applied to employees of HT, but not to HT’s managers. The Collective Agreement of HT also does not apply to the employees of the HT Group companies. The rights and obligations of the employees in the companies of the HT Group are regulated by the Labour Act and accompanying legislation, as well as by specific regulations of each company. Concerning the employees who in 2024 became part of the HT Group through a transfer of a business, their rights and obligations are regulated by the Collective Agreement of their previous employer and, additionally, by a separate Agreement with the union.

In Montenegro, the Collective Agreement of CT is in force, which applies to all employees of the HT Group in Montenegro.

Collective bargaining coverage and social dialogue

percentage (%)	Collective bargaining coverage		Social dialogue
Coverage rate	**Employees – EEA** **(or countries with >50 employees representing >10% of total employees)**	**Employees – outside the EEA** **(estimate for regions or countries with >50 employees representing >10% of total employees)**	**Workplace representation (EEA only)** **(for countries with >50 employees representing >10% of total employees)**
0–19 %			
20–39 %			
40–59 %			
60–79 %			
80–100 %	Republic of Croatia: 90%	Montenegro: 100%	Republic of Croatia: 90%

Supervisory Board member and workers’ representative of HT is Viktor Vanek, a member of the European Works Council of Deutsche Telekom (EWC DTAG).

SOCIAL INFORMATION

ESRS S1 – Own workforce (continued)

ESRS S1-9 – Diversity metrics

S1-I5

Gender distribution per number and percentage of managers in leading positions, without the Management Board

headcount and percentage (%)	2024	
	Number of individuals	%
Men	144	66
Women	74	34
Other/No information	0	0
Total	**218**	**100**

Employee distribution per age groups

headcount and percentage (%)	2024	
	Number of individuals	%
Younger than 30	778	14
30-50 years	3,396	59
Older than 50	1,577	27
Total	**5,751**	**100**

ESRS S1-14 – Health and safety metrics

S1-I2 / S1-I3 / S1-I4

All employees of the HT Group (100%) are covered by the occupational safety at work based the international standard for occupational health and safety management, ISO 45001:2018, which is described in more detail under the section "ESRS S1-1 – Policies related to own workforce"

In 2024, the HT Group recorded a total of 33 accidents with the rate of work-related accidents of 3.37, while the number of days lost to injuries amounted to 1,347.5. In the reporting period, there were no work-related illnesses about which record needs to be made but to which legal restrictions concerning data collection are applied. Also, in the reporting period, there were no fatalities resulting from injuries at work or work-related illnesses.

Health and safety indicators

based on headcount	2024			
	Number of fatalities	Number of injuries	Lost Time to Injury Rate (LTIR)	Number of days lost
In the working process	0	24	2.45	1,067
Outside of the working process	0	9	0.92	280.5
Injuries at work total	**0**	**33**	**3.37**	**1,347.5**

ESRS S1-16 – Compensation metrics (pay gap and total compensation)

S1-I5

In 2024, the unadjusted gender pay gap amounts to 3%.

In 2024, the yearly total remuneration ratio of the highest-paid individual to the median yearly total remuneration for all employees (excluding the highest-paid individual) amounts to 32:1.

The methodology of calculating the average gross remuneration and the hourly pay includes all remuneration paid during 2024 to employed employees as of 31 December 2024. Remunerations include basic and variable salaries, bonuses, fixed supplements, reimbursements, vacation bonus, Christmas bonus and similar payments.

This calculation does not include contributions in kind, such as an official vehicle and support not directly connected to work (e.g., for childbirth, long-term sick leave, death of a family member, etc.).

When calculating the gender pay gap percentage, the total yearly remuneration is the average hourly pay divided by the yearly number of working hours. The percentage difference is calculated using the following formula: (average gross hourly pay for a male employee – average gross hourly pay for a female employee/average gross hourly pay for a male employee) x 100.

To calculate the ratio between the total yearly remuneration of the highest-paid individual and the median yearly total remuneration for all other employees (excluding the highest-paid individual), the total remuneration per employee is shown as a full-time equivalent.

ESRS S1-17 – Incidents, complaints and severe human rights impacts

S1-I6

In 2024, via the complaints mechanisms on the "Tell Me!" website, Ethics Line and persons authorised for receiving and handling complaints related to the protection of workers' dignity, a total of five reports about discrimination and harassment were received (one was confirmed, in two the allegations referred to in the report were not confirmed, and two are still being investigated). From that number, five complaints were received from the employees of the HT Group.

In 2024, there were no fines, penalties or compensation for damages. No severe human rights incidents connected to the undertaking's workforce were recorded (e.g., forced labour, human trafficking and child labour) in the reporting year and the total fines, penalties and compensation for damages for severe human rights incidents connected to the undertaking's workforce amounted to EUR 0.

SOCIAL INFORMATION

ESRS S2 – Workers in the value chain

Introduction

Collaboration with partners who share HT's values and adhere to high ethical standards is the foundation of the HT Group's approach to responsible and sustainable business practices. DT Group's Supplier Code of Contact, which is implemented in HT Group company members, is aligned with the German Act on Corporate Due Diligence in Supply Chains (LkSG) and it defines standards of ethical business behaviour and how business partners, suppliers and their subcontractors should ensure lawful conduct and adequate levels of human rights respect. Among other, the Code mandates fair labour practices and adequate compensation for workers, freedom of association and the right to collective bargaining, diversity, inclusion, occupational health and safety. By accepting the Code, suppliers commit to prohibiting forced labour, preventing the use of child labour and worker discrimination.

The index below shows disclosure requirements identified through double materiality assessment concerning the topical requirement "ESRS – S2 Workers in the value chain".

ESRS index according to ESRS 2 IRO-2

Disclosure	Designation	Reference
ESRS S2 – Workers in the value chain		
ESRS 2 SBM-2	Interests and views of stakeholders	p. 39
ESRS 2 SBM-3 S2	Material impacts, risks and opportunities and their interaction with strategy and business model	p. 69 (Use of phase-in provision for ESRS 2 SBM-3 48e)
ESRS S2-1	Policies related to value chain workers	p. 70
ESRS S2-2	Processes for engaging with value chain workers about the impact	p. 70
ESRS S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	p. 70
ESRS S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and the effectiveness of those actions.	p. 71
ESRS S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	p. 71

Strategy

ESRS 2 SBM-3 S2 – Material impacts, risks and opportunities, and their interaction with strategy and business model

The table shows the material impacts of the business activities of the HT Group on the human rights of workers in the value chain, which have been identified through double materiality assessment. The assessment is based on risk analysis conducted on the DT Group level, in accordance with the German Act on Corporate Due Diligence to Prevent Human Rights Violations in Supply Chains (abbreviated, the German Act on Corporate Due Diligence in Supply Chains or LkSG). Since material impacts connected with the topical standard "ESRS S2 – Workers in the value chain" are actual impacts, a timeframe has not been stated. Significant risks and opportunities connected with the topical standard "ESRS S2 – Workers in the value chain" have not been identified.

More detailed information on the interaction of material impacts, risks and opportunities with HT's strategy and business model is given under the section "ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model".

Material impacts, risks and opportunities and their interaction with strategy and business model

Value chain	Effect	Description	Interaction with strategy and business model	IRO code
Working conditions				
Upstream	Negative impact	ICT industry manufacturing has a negative impact on the fair wages of indirect suppliers. ICT sector is characterised by high market pressure, often resulting in low wages for supplier workers. There is a considerable risk that workers in factories have wages below sustainable living.	HT connected through business relations	S2-I1
Upstream	Negative impact	ICT industry manufacturing negatively impacts workers' right to collective bargaining. Workers rarely have the opportunity to participate in collective bargaining, making their association difficult.	HT connected through business relations	S2-I2
Upstream	Negative impact	Electric devices and network infrastructure manufacturing negatively impact occupational health and safety. There are reports on long-term health effects such as cancer and even death cases, i.e. due to psychological stress (suicides).	HT connected through business relations	S2-I3
Equal treatment and opportunities for all				
Upstream	Negative impact	ICT industry manufacturing negatively impacts equal treatment and opportunities for all workers. Various human rights risks, such as the gender pay gap, are present.	HT connected through business relations	S2-I4
Other work-related rights				
Upstream	Negative impact	Countries of the DT Group's suppliers footprint have negative impacts through forced labour, human trafficking and child labour. The risk of forced labour impacts international supply chains.	HT connected through business relations	S2-I5

SOCIAL INFORMATION

ESRS S2 – Workers in the value chain (continued)

The HT Group's and DT Group's value chain workers who may significantly be impacted by human rights violations include the following workers:

- All workers who are employed by direct and indirect upstream suppliers, i.e. in the supply chain,
- Workers (from these or other categories) who are especially vulnerable to negative impacts due to their intrinsic characteristics or specific circumstances, such as children, youth, women, migrant workers or workers who are members of national or ethnic, religious or language minorities.

This does not include:

- Workers working at HT Group sites who are not part of the Company's own workforce, including self-employed persons or third-party companies whose main scope of activities is employing and leasing workforce,
- Workers working for downstream companies (e.g. people included in activities of logistic or distribution service providers, franchise partners or companies that deal in trade),
- Workers working in joint ventures' management or specialised vehicles owned by the DT Group.

Under the section "ESRS S1-1 – Policies related to own workforce", in the context of describing the Code of Human Rights, it is listed which workers with specific characteristics or in certain working environments and activities are exposed to greater risk.

Impact, risk and opportunity management

ESRS S2-1 – Policies related to value chain workers

S2-I1 / S2-I2 / S2-I3 / S2-I4 / S2-I5

In the context of workers in the value chain, the DT Group examines all material negative impacts on human rights. The management of these impacts and the requirements arising from these impacts have been integrated into procurement practices applied by the HT Group, which are described below.

By its Supplier Code of Conduct, the HT Group obliges all its suppliers to act according to the principles and values referred to in the Code of Conduct and the Code of Human Rights of the HT Group, and to implement such behaviour across their value chains. The Supplier Code of Conduct is part of the General Procurement Terms and Conditions of the DT Group, i.e. Procurement Regulations and internal instructions for conducting the procurement process of the HT Group. The Supplier Code of Conduct does not replace applicable laws and regulations in the countries where the DT Group suppliers operate. Instead, the Code aims to promote alignment with these laws and regulations and to provide support in ensuring that legal requirements are dutifully and efficiently implemented. By signing the Supplier Code of Conduct, suppliers adhere to respecting internationally recognised human rights and, if necessary, undertake corrective measures to remediate human rights violations of any kind as well as violations of fair working conditions. Also, suppliers are obligated to disclose such events (including potential violations) and cooperate with stakeholders when examining potential or actual violations. The basic principles and expectations that are referred to in the Supplier Code of Conduct include the following:

- Prohibition of child labour, forced labour and all kinds of slavery (e.g. human trafficking)
- Protection of the freedom of association and the right to collective bargaining
- Human rights and fair work practices
- Promotion of occupational health and safety
- Prohibition of unequal treatment in employment, i.e. respecting the principles of diversity and non-discrimination
- Payment of fair wages and respecting the working hours

By the Supplier Code of Conduct, the HT Group obliges its suppliers and business partners to respect the following internationally recognised norms and standards:

- Standards and conventions drawn up by the International Labour Organisation (ILO)
- Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights
- UN Global Compact
- International Labour Organisations (ILO) Core Labour Standards

To educate suppliers and partners of the HT Group on these rules, responsible practices in human rights and environmental protection in global supply chains and international standards and best practices, publicly available e-learning materials have been published on HT's website.

All suppliers and individuals who recognise incompliance with the respective codes must raise concerns via the channels described in more detail under the section "ESRS S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns". In case of incompliance with the requirements referred to in the Supplier Code of Conduct, DT initiates a risk incident procedure in accordance with the German Act on Corporate Due Diligence in Supply Chains(LkSG). The information collected is included in the regular due diligence of the supply chain under the LkSG's requirements. This analysis is part of risk management and serves to identify human rights violations and environmental risks with the DT Group's suppliers.

As part of introducing the LkSG management system, a new role of an LkSG officer, i.e. human rights commissioner, has been created. The LkSG officer reports directly to DT's CEO. Also, an LkSG Risk Board has been established.

ESRS S2-2 – Processes for engaging with value chain workers about impacts

S2-I1 / S2-I2 / S2-I3 / S2-I4 / S2-I5

DT regularly reviews the working conditions at its suppliers' production sites within its audit programmes. Within DT's due diligence processes, the communication with workers in the upstream value chain, i.e. in the supplier chain, is done via surveys. This enables the workers of DT's suppliers to anonymously provide information about their respective organisation's social and environmental conditions. The survey is primarily used to gain an impression of the working conditions at a particular site and to initiate further actions as needed, such as specific on-site reviews (the so-called "social audits") conducted by external auditors.

The DT Group focuses its audits on high-risk or strategically important suppliers. They regularly undergo audits; this is how risk transparency, i.e. the transparency of negative impacts on workers in the supply chain of the DT Group, is ensured. If the production sites are external, their operators – and thus indirect suppliers as well – are also checked by the previously described methods. Social audits are conducted within the sector initiative "Joint Alliance for CSR" (JAC), which comprises 29 globally active telecommunications companies, enabling the coverage of more relevant suppliers in the supply chain. Among other things, the working and social standards of suppliers are audited.

ESRS S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns

S2-I1 / S2-I2 / S2-I3 / S2-I4 / S2-I5

If audit processes show specific irregularities at suppliers, the risk incident process in place at DT Group is launched. In the first step, the central procurement organisation of the DT Group verifies the plausibility of the suspected case as a part of an ad hoc risk analysis. If the result is positive, it is forwarded to an expert committee. This committee comprises representatives from DT's global compliance and reporting (GCR), law and integrity, and it is coordinated by the central procurement organisation of the DT Group. If the expert committee decides to obtain a statement from the supplier concerned, it contacts the supplier without delay in the second step of the process. Where the violation is confirmed, the supplier will be required, if necessary with support from the Deutsche Telekom Group, to define mitigation or correction measures, and agree deadlines for their implementation with DT. If measures were insufficient, the expert committee escalates the case to the DT Group's LkSG Risk Board. If it is reasonable to assume that the supplier will not meet the requirements, the expert committee can recommend the temporary suspension of business relations. If the violation is severe or its consequences cannot be alleviated, the termination of the business relationship may be considered a last resort.

If there is no contract with the indirect supplier, the direct supplier of the DT Group that is in a business relationship with that particular supplier is contacted regarding a specific irregularity. In this way, DT aims to create a system for preventing, stopping or minimising human rights violations with all stakeholders, including indirect suppliers.

SOCIAL INFORMATION

ESRS S2 – Workers in the value chain (continued)

The suppliers of the DT Group must ensure efficient procedures and a safe environment for their employees so that they can raise concerns and get feedback information in line with the relevant supplier guidelines, including the HT Group suppliers.

HT's suppliers must inform their employees about the possibility of using the publicly available DT Group's website to report irregularities – "Tell Me!" – and the chance to submit an anonymous report via the Ethics Line. Additional information on how to report irregularities is available under the section "ESRS G1-3 – Prevention and detection of corruption and bribery".

In its supplier contracts and the Supplier Code of Conduct, HT expressly refers to the DT's website, "Tell Me!" and provides the link to this channel. All contractual partners are, therefore, aware of the system for raising complaints and have access to it. More information about HT's channels for raising complaints is given in the sections "ESRS S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns" and "ESRS G1-1 – Business conduct policies and corporate culture". The DT Group collects information on possible upstream complaints, i.e. complaints in the supplier chain, by audits described under the section "ESRS S2-2 – Processes for engaging with value chain workers about impacts" as part of the sector JAC initiative or via information published in the media.

As described under the section "ESRS G1-3 – Prevention and detection of corruption and bribery", all matters that are reported through portals for irregularities are recorded and resolved in accordance with the law and care is taken of protecting the individual who made the report. At the DT Group level, in 2024 there were no reports about any serious human rights' violations (e.g. forced labour, human trafficking and child labour) that would be connected with the workers in the supply chain.

ESRS S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and the effectiveness of those actions

S2-I1 / S2-I2 / S2-I3 / S2-I4 / S2-I5

As part of the risk management system in accordance with the German Act on Corporate Due Diligence in Supply Chains (LkSG), DT conducts risk analysis for business units of the DT Group member companies and their direct suppliers. Also, when it becomes aware of a reasonable suspicion about irregularities via ad hoc risk analyses, DT conducts supplier audits as described under the section „ESRS S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns".

In accordance with LkSG's, DT considers information from internal and external sources in its risk analysis. This includes publicly available reports per country and industry, information from the existing management processes of the DT Group, and procedures for reporting complaints or audits. Information from internal and external human rights experts is also considered at the DT Group level. All obtained information is checked for plausibility and prioritised. This is how DT creates its annual risk matrix for its business units and suppliers.

As stated earlier, selected high-risk, strategically important suppliers are, if necessary, additionally checked in all DT Group member companies using the EcoVadis platform. This platform enables an assessment of the environmental, social and governance practices of the companies throughout the world.

As part of its risk analysis in line with LkSG, in 2023 DT identified risks and violations of human rights at suppliers that were described as significant negative impacts on workers in the value chain, and related to working conditions, equal treatment, equal opportunity for all and other rights arising from the employment relationship. These risks have been assessed according to various criteria, taking into account, among others, how much the respective supplier contributes to the occurrence of these risks through its business activities. Based on the results of this analysis, industry-specific measures were developed, which were implemented in 2024 to a significant degree. The measures included, among others, contacting all high-priority direct suppliers and a dialogue about expectations concerning human rights and environmental protection. The dialogue with suppliers serves to increase their awareness and thus prevent the occurrence of risks and harm.

A test of measures of efficiency and prevention is conducted once a year or when necessary as part of the process of risk analysis in accordance with LkSG. The test is conducted by assessing the predefined indicators that were developed when defining individual measures. The efficiency of measures arising from the LkSG risk analysis for 2023, which were implemented in 2024 and described in the Deutsche Telekom Annual Report 2024, are to be reviewed at the beginning of 2025.

Information on potential violations of the human rights of the workers in the value chain are part of the DT's Annual Policy Statement on Potential High-Priority Human Rights and Environmental Risks. After having made the annual risk analysis in accordance with the German Act on Corporate Due Diligence in Supply Chains (LkSG), these information are published on the web pages of the DT Group within the "Annual Report on Due Diligence in Supply Value Chains". At the level of the DT Group, in 2024 there were no such cases.

Targets

ESRS S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The DT Group monitors the efficiency of guidelines and measures concerning improving working conditions, equal treatment and equal opportunities for all and other rights arising from the employment relationship in the upstream value chain, i.e., the supply chain. This is done through the LkSG risk analysis described in this topical standard.

No measurable and outcome-oriented targets related to significant impacts identified in this topical standard have been set on the DT Group level or on the HT Group level.

SOCIAL INFORMATION

ESRS S4 – Consumers and end-users

Introduction

The internet is an indispensable part of everyday social life. Digital inclusion reflects the HT Group's belief in the role and importance of digital technology in improving everyone's quality of life and its intention of being the driver of positive changes. The HT Group strives to create a more equal and connected world for everyone by fostering inclusion and breaking down digital barriers. This includes the protection of the rights and data of our customers and a continuous network build-out to provide the digital platform that is a prerequisite to social and economic development.

Three key factors support the goal of enabling equal access to digitalisation for all members of society: the availability of high-speed networks, the accessibility of services and devices, and the development and promotion of digital competencies. The HT Group deals with the technical aspects of broadband network access, enabling affordable devices and services for everyone, regardless of their financial status or level of digital literacy. The HT Group implements and designs various programmes and initiatives that provide people of all ages, from children to older people, with the most up-to-date training, allowing them to acquire and develop the necessary digital skills and access to the needed equipment to create a society where there is no digital inequality.

Despite the numerous advantages of digitalisation, people still face challenges in fully participating in the digital world. The HT Group's mission is to reduce the digital divide and ensure everyone has an equal opportunity to be included in the digital society.

The index below shows disclosure requirements identified in materiality assessment concerning the topical standard "S4 – Consumers and end-users".

ESRS index according to ESRS 2 IRO-2

Disclosure	Designation	Reference
ESRS S4 – Consumers and end users		
ESRS 2 SBM-2	Interests and views of stakeholders	p. 39
ESRS 2 SBM-3 S4	Material impacts, risks and opportunities and their interaction with strategy and business model	p. 72 (Use of phase-in provision for ESRS 2 SBM-3 48e)
ESRS S4-1	Policies related to consumers and end-users	p. 73
ESRS S4-2	Processes for engaging with consumers and end-users about impacts	p. 74
ESRS S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	p. 74
ESRS S4-4	Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and the effectiveness of those actions and approaches	p. 74
ESRS S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	p. 75

Strategy

ESRS 2 SBM-3 S4 – Material impacts, risks and opportunities and their interaction with strategy and business model

The table below shows the material impact of the HT Group's business activities on customers and end-users, which was identified through a double materiality assessment. A time frame is not stated since the material impacts connected with the topical standard "S4 – Consumers and end-users" are actual impacts.

More detailed information on the interaction of material impacts, risks and opportunities with the HT Group's strategy and business model is given under the section "ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model".

Material impacts and their interaction with strategy and business model

Value chain	Impact	Description	Interaction with strategy and business model	IRO code
Impacts connected to information for customers and/or end-users				
Downstream	Negative impact	Easy access to information via the internet brings challenges such as "fake news", which may negatively impact customers. The risk is notably higher for kids and young people.	HT contributes via its products and services.	S4-I1
Downstream	Positive impact	Network build-out enables a large number of people to express their opinions and have access to information, which has a positive impact on customers.	HT contributes via its products and services.	S4-I2
Social inclusion of consumers and/or end-users				
Downstream	Positive impact	A continuous network build-out enables accessibility even in rural areas, positively impacting customers and end-users in emergencies.	HT contributes via its products and services.	S4-I3
Downstream	Positive impact	Network build-out and the focus on digital inclusion enable everybody to participate in the digital society.	HT contributes via its products and services.	S4-I4

SOCIAL INFORMATION

ESRS S4 – Consumers and end-users (continued)

The following opportunities and risks related to customers and end-users were identified by assessing double materiality.

Material risks and opportunities

Value chain	Risk/opportunity	Description	IRO code
Impacts connected to information for consumers and/or end-users			
Own business activities and downstream	Risk	Financial and reputation consequences due to data leakage or theft and possible GDPR non-compliance.	S4-R1
Own business activities and downstream	Risk	Investments are needed to build network infrastructure and maintain the market leader position.	S4-R2
Downstream	Opportunity	Deregulation of wholesale prices in urban areas (large cities) as of 2.12.2023 (relates to the internet and IPTV).	S4-O1

Customers and end-users who may be affected by material impacts of HT are people buying the products or using the services of the HT Group, and for whom the internet may negatively impact their privacy and data protection, freedom of expression or non-discrimination.

The HT Group has not identified actual or potential material negative impacts affecting customers and/or end-users of products and services that are inherently harmful to people and/or increase the risks of chronic diseases, customers and/or end-users of products and services that depend on accurate and accessible information related to a product or service, such as manuals and product labels to avoid potentially harmful use of that product or service, and customers and/or end-users who are especially sensitive concerning health or impacts on privacy or impacts of marketing and sales strategies, such as children or financially-vulnerable people.

Impact, risk and opportunity management

ESRS S4-1 – Policies related to consumers and end-users

Information-related impacts for consumers and/or end-users (Freedom of expression; Access to (quality) information)

S4-I1 / S4-I2

The HT Group strives to implement technology based on humanistic values and contribute to shaping a digital society that rests on fundamental democratic principles in which everyone can safely, competently and autonomously participate. Through its network build-out and its products and services offering, HT endeavours to ensure access to technology for everyone – its customers and community members who are not HT's customers. HT's ambition is to connect everyone with digitalisation opportunities, which indirectly enables a large number of people to express their opinion and access information, which has a positive impact on customers. However, an easy access to information via the internet also comes with some dangers, such as "fake news", which may potentially have a negative impact on customers. The risks are especially high for children and youth. HT understands its digital responsibility in terms of its obligation to invest efforts in ensuring the protection of digital human rights, which include freedom of expression and information. As an important stakeholder in digital transformation, HT actively manages the recognised social impacts. By breaking down digital barriers, HT aims to ensure a safe and inclusive digital environment for all, especially vulnerable groups.

To enable this, the HT Group regularly reviews and updates its regulations, policies and other internal documents relating to digital inclusion, which define the choice and implementation of the programmes and activities in this domain according to societal needs. Respect for human rights in customer relations and on the internet is regulated by the Code of Human Rights, the Code of Conduct, the Guiding Principles and the Digital Ethics Guidelines on Artificial Intelligence. The Code of Human Rights is a comprehensive document encompassing HT's principles and expectations concerning customers and society.

By adopting the Code of Human Rights, HT is committed to protecting its customers' data and digital autonomy, freedom of expression and information, protection of children and youth and digital responsibility and inclusion. The Code of Human Rights is aligned with the United Nations Guiding Principles of Business and Human Rights and other relevant international mechanisms, as described under the section "ESRS G-1 – Business conduct policies and corporate culture". The Code is available to all stakeholders on HT's web page.

Information-related impacts for consumers and/or end-users (Privacy)

S4-R1

Financial and reputational consequences due to data leakage or theft and a possible non-compliance with GDPR represent a significant business risk concerning customer privacy. In its business operations and customer relations, the HT Group applies high standards of security and personal data protection in accordance with the General Data Protection Regulation (GDPR) and the HT Customer Privacy Policy. At HT, data is collected exclusively from our customers, used upon collecting customers' consent and stored for the duration specified in the Guidelines on Storage Limitation of Personal Data Relating to Customers of Hrvatski Telekom and other relevant regulations on documentation storage. Data is processed exclusively for the purpose for which it was initially collected or for which customers have given their explicit consent. Following best practices and standards, data is destroyed after the expiry of the period for its storage or when the purpose for which it was initially collected ceases. HT explicitly prohibits the sale of data.

HT continuously undertakes technical and organisational measures following best practices and goes beyond legal obligations. HT's systems, processes and documentation are constantly revised to find and remove any potential non-compliances in a timely manner. HT regularly carries out system checks on HT infrastructure and a complete audit of its sales partners in accordance with GDPR requirements. HT conducts a continuous information security system management recertification (ISMS – ISO/IEC 27001:2017) and business continuity system ISO 22301 recertification. Many internal audits that do not explicitly concern personal data protection but are inextricably linked to it (cyber security, compliance, corporate security, risk assurance, etc.) are also performed.

Social inclusion of consumers and/or end-users (Access to products and services)

S4-I3 / S4 R-2 / S4-O1

The HT Group deals with the technical aspects of broadband network access, offering affordable products and services for everyone, regardless of their financial status or digital literacy level. With the continuous network build-out and enhanced network modernisation, HT significantly promotes the digitalisation of society and the availability of the internet in areas where it was previously impossible or where the service was inadequate for modern needs. Expanding the network in rural areas can also improve the living standard of the local population by providing individuals and entrepreneurs with access to the internet and digital services. This encourages the development of the local economy as it enables small businesses to access online markets and tools for promoting their products and services.

S4-I4

Digital inclusion primarily reflects HT's belief in digital technology's power to improve everyone's quality of life and drive positive changes. We strive to create a more equal and connected world for everyone by promoting inclusion and breaking down digital barriers. Three key factors support the goal of enabling equal access to digitalisation for all members of society – the availability of high-speed networks, the accessibility of services and devices and the development and promotion of digital competencies.

HT also implements and designs a series of programmes and initiatives such as "Tools for Modern Times", "Generation NOW" and "Generations Together" enabling people of all ages, from children to older people, to take part in state-of-the-art training where they can acquire the necessary digital skills and have access to the required equipment. The aim is to create a society where there is no digital inequality. Reducing the digital divide promotes social inclusion by providing access to digital resources and tools crucial for education, employment and participation in modern society.

ESRS S4-2 – Processes for engaging with consumers and end-users about impacts

S4-I2 / S4-I3 / S4-I4

In the digital era, in which communication and technology are an indispensable part of everyday life, customers expect, besides service quality and reliability, that their requests and issues be resolved quickly and in a quality manner via all customer channels and in all phases of their customer journey. To meet the expectations of its customers, HT invests significant resources and pays great attention to a continuous enhancement of the experience of customers who buy products or use services of the HT Group, ranging from its most crucial aspect – network speed and reliability and available and efficient customer service – to the offering of innovative services, intuitive online platforms and applications and customised solutions.

Designing a premium customer experience requires continuously paying close attention to customer needs. HT keeps raising the awareness of all employee levels about the importance of customer feedback and customer experience. We propose measures for improving customer experience based on customer feedback and analysis of their needs and issues.

When communicating with customers, HT adheres to the highest standards of responsible advertising as regulated by the HURA (Croatian Associations of Communications Agencies) Code of Advertising and Market Communications. HT applies its Guiding Principles and Code of Conduct in all business operations. HT also adheres to the additional requirements of the acquired ISO certifications, such as ISO 9001:2015 for quality management and ISO 27001:2013 for information security management.

HT's Management Board is responsible for ensuring cooperation with customers and implementing the results of this cooperation in HT's business operations. The TRI*M and NPS (Net Promoter Score) models of customer satisfaction surveys, along with analysis of customer complaints have been described in more detail under the section "ESRS S4-4 – Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions and approaches", where the mechanisms for submitting petitions and complaints have been described. Analyses of customer satisfaction and complaints are taken into account when deciding about quality improvements, identifying significant impacts, risks and opportunities and managing positive and negative impacts on individuals who buy products or use services of the HT Group. A report with the NPS results from the Voice of our Customers (VoC) survey is sent to all Company levels on a weekly, monthly and quarterly basis. Additionally, the results and the main drivers of customer dissatisfaction identified for that period are analysed with the management.

ESRS S4-3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

S4-I1

Customer experience is regulated, and HT upholds the highest standards in customer experience management. The Electronic Communications Act governs matters such as network access, service provision, electronic communications safety and customer privacy protection. Besides that, the Croatian Regulatory Authority for Network Industries (HAKOM) adopts its regulatory resolutions supplementing the law and specifying the obligations of telecommunications operators, thereby ensuring the protection of customers' interests. Customers can submit a written petition (including e-mail) to the operator regarding service provision, the quality of the services provided and the amount charged for the services offered. A complaint can also be filed in case of any violations of the provisions of the subscriber agreement, which must contain facts and evidence on which it is based. Petitions and complaints are settled in the first-degree procedure by a decision of the competent department. After a first-degree decision has been made, customers can submit a second-degree complaint to the Committee, which adopts a final decision at the level of the entire HT Group. Customers can initiate a third-degree complaint procedure with the Croatian Regulatory Authority for Network Industries (HAKOM) if they disagree with the Committee's second-degree decision.

S4-R1

Concerning privacy, HT has established an advanced system that ensures respondents' rights so that customers are given a unique e-mail address to send their inquiries and complaints (osobni.podaci@t.ht.hr). The specific rights of respondents, as prescribed by the GDPR, can also be realised through other HT channels, such as the website www.hrvatskitelekom.hr and HT's points of sale. HT conducts an internal audit of complaints and grievances received via these channels. If necessary, they are forwarded to respective internal experts. As part of the audit of the report on customer data protection, HT assesses whether supervising bodies or respondents need to be informed and whether the process is compliant. If they have not done it alone, HT recommends that all customers file a report with competent authorities, with whom HT fully cooperates. If it is needed and possible, HT initiates corrective measures. To ensure that this process is efficient, HT regularly tests its channels' availability and reviews customer feedback. The "ESRS G1-1 – Business conduct policies and corporate culture" section describes HT's mechanisms for protecting individuals against revenge.

ESRS S4-4 – Taking action on material impacts, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and the effectiveness of those actions and approaches

Information-related impacts for consumers and/or end-users (Freedom of expression; Access to (quality) information)

S4-I1 / S4-I2

HT continuously implements programmes and projects aimed at surveying and improving customer experience by using advanced tools and processes. HT constantly monitors customer experience via its "Customer Centricity" programme. To fulfil the ambitions set by this programme, HT established the NPS (Net Promoter Score) model to monitor the process in its entirety – from collecting customer feedback to the specific measures resulting from feedback analysis. HT's NPS model is aligned with Deutsche Telekom practices, which are also applied in other EU countries that are members of the DT Group. This model enables the sharing of good practices and effective solutions for improving customer experience across the entire DT Group. The results of this programme are reported from the highest company level (the Management Board) to the operational level (agents, salespeople, and technicians). Short-term, midterm and long-term measures for improving customer experience are initiated based on the data collected within the programme. The NPS results are collected through the "Voice of our Customers" (VoC) survey, which comprises gathering customer feedback, analysing the results and launching appropriate measures. The survey encompasses various levels of customer satisfaction, from brand perception and specific product usage experiences to researching the experience with individual digital and non-digital touch points. Examples of measures directly addressing customer requirements are published on HT's web pages, within the "Sincerely. Together." platform.

The TRI*M index measures customer loyalty and compares it to HT's competition. The name itself – TRI*M (Three*M) – refers to Deutsche Telekom's "measure, manage, monitor" methodology. This results from customer responses to the four main questions related to performance, recommendation, further usage, and competitive advantage. The survey also encompasses questions related to network quality, products and prices, customer journey and touchpoints.

In 2024, all activities relating to customer experience improvement were enhanced through the following measures:

- Continuous customer experience surveys, result analysis and result reporting to all organisational units,
- Continuous training of all HT Group's employees on the "Customer Centricity" and "Voice of our Customers" (VoC) programmes,
- Continuous workshops on the results of customer experience surveys, results of deep-dive analyses, possible room for improvement and measures to improve customer experience, and
- Regular information about the programme "Customer Centricity" activities via newsletters and intranet articles.

The Company sets annual and quarterly goals about customer satisfaction.

HT's engagement and achievements in customer experience have been noticed at the entire DT Europe level; at the DT Top Leadership Team meeting, HT won awards for its customer experience.

HT continuously undertakes activities to prevent harmful consequences arising due to insufficient accessibility of the benefits of digitalisation or insufficient control to reduce the digital divide among people and create a more equal, connected and safer digital world for everyone. HT's marketing campaigns are conducted based on the consent HT collects from its customers. The "Do Not Call" registry, which contains phone numbers of customers who do not want to be included in marketing actions, is regularly consulted. Because of legal limits, children (underage customers) cannot sign a contract with HT. Regardless, children can be service users (prepaid, internet), so it is essential to ensure their safety. Through the Moj Telekom application, HT enabled its customers to manage their profile, including allowing them to control internet access in a way that specific (children's) devices can wholly, or within a certain period, have their internet access limited or prevented, as well as restricting websites that can be visited through the application itself. In this way, parents have been granted supervision of internet access usage for all household members. The efficiency of this measure is tracked by the number of activations of the following services: parental control and internet usage schedule.

Information-related impacts for consumers and/or end-users (Privacy)

S4-R1

Every system or project implemented at HT goes through the PSA (privacy and security assessment) process, during which the system is described and classified based on the sensitivity and amount of personal data. Each new project is also assessed and classified from a cybersecurity standpoint. After the initial entry, the list of compliance requirements is defined, namely the conditions that must be met for the system to be compliant. Some of these requirements relate to data anonymisation, deletion, storage deadlines, etc. The system/project can be released into production only after the above-described requirements are met. By implementing the PSA procedure, the approach of privacy by design and security by design is guaranteed, which means that all relevant data protection and safety requirements have been built into HT's products and services.

To define customer privacy risks, in the case of an exceptionally high risk to the rights and freedoms of an individual, HT conducts the Privacy Impact Assessment (PIA) and the Data Protection Impact Assessment (DPIA). After the initial risk definition, HT considers the measures that would either significantly mitigate or eliminate the risk, and the risks are recorded within the appropriate documentation, which lists the risk mitigation/ elimination measures.

Social inclusion of consumers and/or end-users (Access to products and services)

S4-I3 / S4-I4 / S4-R1 / S4-O1

The continuous build-out of HT's optical access infrastructure has been going on for more than a decade, with the focus on implementing the Fibre-To-The-Home topology, which represents a sustainable and scalable solution for the long term, offering the possibility for upgrades and internet access speed increase to multi-gigabit levels in accordance with technology improvements and customer needs. It is to be noted that HT develops the optical access network both in the largest urban areas and distributes its investments across the entire Republic of Croatia, providing all regions with equitable conditions and the potential for digital infrastructure to achieve balanced regional development.

Network build-out in rural areas can improve the living standard for the local population and connection of public institutions (e.g. health institutions), providing access to the internet and digital services. This promotes the development of the local economy because small businesses can access online markets and tools for marketing their products and services. 99% of the inhabited territory of the Republic of Croatia is covered by a mobile (at least 4G) network signal, with indoor coverage being 89%.

Besides network expansion done with HT's funds, within the Public Call of the Ministry of the Regional Development and EU Funds for optical access network build-out, HT entered into 13 Partnership Agreements. These Agreements were entered into in line with the rules of the Framework National Programme for Development of the Broadband Infrastructure, whereby HT ensured fast (+40 Mbit/s) and ultra-fast (+100 Mbit/s symmetrical) internet access for almost 150,000 new customers. This project has been successfully implemented in ten Croatian counties, including city, municipal, suburban and rural areas with insufficient investment interest. The Ministry of the Sea, Transport and Infrastructure also published the Public Call for the second wave of a broadband infrastructure development programme co-financed by EU funds. In the current phase, HT has won 7 projects encompassing 54 thousand customer units, whereby HT continues developing the broadband infrastructure in Croatia.

Furthermore, investment in network development helps bridge the digital divide between urban and rural areas and between rich and poor communities.

The breakdown of the digital divide fosters social inclusion, enabling access to digital resources and tools, which are key for education, employment and participation in modern society. We implement and design programmes and initiatives aimed at individuals of all ages, from children in elementary schools to older people, providing them with state-of-the-art training opportunities to acquire and develop necessary digital skills and access the required equipment. HT's mission is to ensure equal opportunities for all to be included in the digital society, leaving no one behind in the digital world. HT carefully monitors societal needs and demands, designing various programmes and activities to meet specific needs and contribute to digital inclusion.

HT's social contribution to digital inclusion is tracked by internal objectives that are aligned with the DT's internal indicators. These activities are aimed at systematically increasing the number of individuals who have obtained access to educational programmes for children, youth and the elderly based on HT's activities so that they can develop the necessary skills to be able to use digital tools and navigate the digital environment responsibly and safely.

19 programmes at the HT Group level are implemented within the digital inclusion programme, and they have different scopes and durations. In 2024, these programmes increased the number of their beneficiaries compared to 2023. One of these activities is the "Tools for Modern Times" programme. This unique, science-based programme provides knowledge and enables the development of social and emotional skills (tools) for the responsible use of digital technologies. HT implements this programme in cooperation with trained teachers and professionals in elementary schools (programme leaders). The programme is designed for seventh and eighth-grade students. It comprises 12 workshops for students, one lecture for their parents and one lecture for the teacher council. The "Tools for Modern Times" programme has several components and its activities include students, parents, teachers and educators. The programme is implemented by trained professionals (social pedagogues, psychologists, educators, etc.) and teachers employed in elementary schools who have completed a three-day training at the Centre for Lifelong Learning of the Faculty of Education and Rehabilitation Sciences of the University of Zagreb.

Targets

ESRS S4-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

S4-I3

HT has set a target connected with the expansion of the positive impact of a continuous network build-out enabling accessibility even in the rural areas, which has a positive impact on customers and end-users in crisis situations. HT's objective is to achieve a 25% 5G network coverage of the total rural area of the Republic of Croatia, which is to increase to 50% by the end of 2027.

The HT Group has not set any other measurable and outcome-oriented targets related to significant impacts identified in this topical standard.

GOVERNANCE INFORMATION

ESRS G1 – Business conduct

Introduction

Lawful and ethical behaviour is at the core of HT Group's business approach, and it is defined by the Code of Conduct, whose fundamental principles are universally applicable across the DT Group. To achieve its business results, the HT Group respects human rights and implements common principles that reflect its core values. The HT Group's approach to human rights is based on the United Nations Guiding Principles on Business and Human Rights – the global guidelines on corporate social responsibility and respecting human rights – the Diversity Charter to which the HT Group is an initial signatory, and the Basic Principles referred to in the DT Group's Social Charter. In this Social Charter, all DT Group members declare their commitment to acting in accordance with internationally recognised norms, guidelines and standards arising from the Universal Declaration of Human Rights, key conventions of the International Labour Organisation (ILO), Organisation for Economic Cooperation and Development (OECD) and the UN Global Compact initiative.

The index below shows the disclosure requirements identified through materiality analysis relating to the topical standard G1 – Business conduct.

ESRS index according to ESRS 2 IRO-2

Disclosure	Description	Reference
ESRS G1 – Business conduct		
ESRS 2 GOV-1	The role of the administrative, management and supervisory bodies	p. 34
ESRS 2 IRO-1 G1	Description of the processes to identify and assess material impacts, risks and opportunities	p. 40
ESRS G1-1	Business conduct policies and corporate culture	p. 76
ESRS G1-3	Prevention and detection of corruption and bribery	p. 77
ESRS G1-4	Confirmed incidents of corruption and bribery	p. 78

ESRS 2 IRO-1 G1 Description of the process to identify and assess material impacts, risks and opportunities

The following risks and opportunities relating to business conduct have been identified by assessing the double materiality significance.

Material risks and opportunities

Value chain	Risk/opportunity	Description	IRO code
Corporate culture			
Own business activities	Opportunity	Strong corporate culture. Opportunity to increase the attractiveness of HT as an employer in a highly competitive labour market.	G1-O1
Corruption and bribery			
Upstream	Risk	Corruption and bribery in the supply chain.	G1-R1

Impact, risk and opportunity management

ESRS G1-1 – Business conduct policies and corporate culture

Business conduct

G1-R1

Business conduct in accordance with the legislation and the values and integrity of the HT Group is defined by the HT Group's Code of Conduct. Its purpose is to give the HT Group's employees, managers and related individuals clear guidelines on lawful conduct and acting with integrity in all situations that may arise in business. The goal is also to simply and transparently describe the HT Group's ethical, social and ecological commitments to its business partners and suppliers.

Besides the Code of Conduct, which applies to all stakeholders of the HT Group, business conduct also includes anti-corruption, ethical operations and compliant behaviour, which are defined by the Supplier Code of Conduct and a series of specialised policies:

- Policy on Avoiding Corruption and Other Conflicts of Interest
- Group Benefits Policy
- Event Policy
- Policy on Preventing Corruption Risks in Cooperating with External Consultants
- HT Group's Policy on Competition
- Policies, Controls and Procedures for Mitigating and Efficiently Managing the Risks of Money Laundering and Terrorist Financing
- Guidelines for Prevention of Conflicts of Interest
- Digital Ethics Guidelines on Artificial Intelligence
- Regulations on the Procedure for Reporting Internal Irregularities and Appointing a Trustworthy Person and their Deputy at Hrvatski Telekom d.d.

In addition to internal regulations binding for all employees, all HT Group's suppliers and other supply chain participants must adhere to the principles outlined in the Supplier Code of Conduct of the HT Group. This is how the HT Group establishes the framework for bribery and corruption in the supply chain risk prevention.

GOVERNANCE INFORMATION

ESRS G1 – Business conduct (continued)

Corporate culture

G1-O1

The HT Group is renowned for its strong corporate culture and activities that enhance it. A strong corporate culture is also a business opportunity to increase the attractiveness of HT as an employer in a labour market marked by a strong competition. Therefore, Strengthen Attractiveness as #1 Employer is one of the strategic priorities of the HT Group. The corporate responsibility and corporate culture of the HT Group are determined by the values defined by HT Group's 6 Guiding Principles. All managers and employees are required to adhere to these principles in their everyday work. These principles also make part of assessing the work efficiency of the HT Group as a responsible and sustainable company and of evaluating employee performance.

HT's Guiding Principles are:

- Delight our customers
- Get things done
- Act with respect and integrity
- Team together – team apart
- I am T – count on me
- Stay curious and grow

By following the Guiding Principles and Social Charter principles, the HT Group aims to instil and facilitate the same sense of responsibility, which permeates all aspects of HT Group's operations, in all companies of the HT Group and in its business partners. To achieve this goal, the HT Group is guided by the rules defined by the Code of Conduct and the Supplier Code of Conduct of the HT Group. These documents set clear standards for business conduct. In addition to good economic results, business conduct needs to be based on high ethical principles, respect for human rights and socially and ecologically responsible behaviour.

As described in more detail under the section "ESRS S1-1 – Policies related to own workforce", the HT Group adopted several codes of conduct, policies and regulations whereby it undertakes to respect and build a culture of diversity, inclusion and equal opportunities and uphold international human rights documents.

Corporate culture is part of corporate strategy. The Management Board is responsible for implementing the corporate strategy based on the previously described codes of conduct and policies regulating business conduct.

Employee surveys are regularly conducted to assess and further develop corporate culture. These surveys include questions about corporate culture and about how employees perceive it in their everyday work life.

In case of any suspicion of unlawful or unethical conduct at the HT Group, any employee, business partner, customer or shareholder can report a violation of the Code of Conduct through channels established for reporting such conduct. The report can be made by sending mail to the Ethics Line, Radnička cesta 21, 10 000 Zagreb, by placing a phone call to: 0800 9823, via telefax to: +385 7 5802 472 or by sending an e-mail to the address eticka.linija@t.ht.hr or compliance@t.ht.hr. It can also be made in person to the Compliance Officer, who is in charge of the entire HT Group. HT's anonymous report system SAD! (system for anonymous reporting) and DT's BKMS (Business Keeper Monitoring System) allow for entirely anonymous reporting and subsequent communication via a special "mailbox", ensuring the anonymity of reporting. For reports based on the Whistleblowers Protection Act, anyone can contact the e-mail address povjerljiva.osoba@t.ht.hr. Complaints related to the protection of workers' dignity against harassment and sexual harassment and complaints related to protection against discrimination can be addressed to the persons authorised by the employer to receive and handle such complaints.

All employees must complete online compliance training on anti-corruption, digital ethics and compliance basics. Managers must also complete online training on preventing corruption risks in cooperating with external consultants. Along with the Code of Conduct and other policies, all stakeholders of the HT Group, including our customers, business partners and suppliers, can access compliance and digital ethics training on HT's web page at any time.

When conducting training about the fight against corruption, the HT Group follows a risk-based principle: the training's frequency and contents depend on how much an employee is exposed to compliance risks – including corruption and bribery. For example, the e-learning module about compliance basics is intended for all HT Group employees. All new managers at the HT Group need to attend a mandatory workshop, i.e., in-person training on compliance topics. Besides that, the HT Group's Management Board members are required to complete a mandatory workshop, i.e. training in person every three years. Additional e-learning modules, such as modules on human rights, are also available. HT communicates the principles and goals of its corporate strategy and corporate culture through all internal communication channels, including the intranet, e-mail and employee meetings.

Measures for preventing corruption and bribery are mainly directed to those functions within the HT Group most exposed to the risk of corruption and bribery. Specific business areas within the HT Group, identified as having a higher compliance risk due to close relationships with customers, business partners and suppliers, regularly participate in additional in-person training workshops. Furthermore, all new managers receive compliance training when they assume their roles.

ESRS G1-3 – Prevention and detection of corruption and bribery

G1-R1

As a company committed to ethical business practices, the HT Group maintains a zero-tolerance policy towards bribery or corruption in all business activities. The scope of application, forms of corrupt behaviour, measures, responsibilities and organisational duties related to corruption and other conflicts of interest prevention, applicable to all HT Group's employees, including Management Board members, are defined by the Policy on Avoiding Corruption and Other Conflicts of Interest and the Guideline for Prevention of Conflicts of Interest. These documents are publicly available on HT's website.

All HT Group's employees have access to the Guidance for Handling Potential Conflicts of Interests on the intranet, which provides information on managing situations of actual or potential conflicts of interest. Additionally, a voluntary self-assessment questionnaire is available to help employees recognise their potential conflicts of interest.

To ensure compliance at the highest levels, all HT Group's managers are required to sign a Conflict-of-Interest Declaration. This Declaration is designed to identify and address any potential conflicts arising from their personal interests conflicting with professional responsibilities, and all managers are required to complete it annually.

The HT Group tries to avoid any risks that put the integrity of the Company into question or harm others. HT implemented a CMS (compliance management system) especially aimed at preventing corruption. The CMS aims to minimise the risks of systemic violations of legal or ethical standards that may lead to regulatory or criminal responsibility for the Company, Management Board members or employees, or significantly harm the Company's reputation.

Through its portals for reporting irregularities described under the section "ESRS G1-1 – Business conduct policies and corporate culture", the HT Group enables all employees and external stakeholders to anonymously report unlawful or unethical behaviour. All topics that are raised are recorded, the topics are handled in accordance with law and care is taken to protect the person who filed the complaint.

Through regular compliance training described under the section "ESRS G1-1 – Business conduct policies and corporate culture", HT employees stay informed about special portals for reporting irregularities. The HT Group expects its suppliers to also adhere to applicable laws, comply with social, ethical and environmental standards and act sustainably, and the same should be required of its subcontractors. An e-learning on acting lawfully and in compliance with HT's values has been mainly designed with suppliers in mind and is available on HT's web pages.

GOVERNANCE INFORMATION

ESRS G1 – Business conduct (continued)

HT's Management Board is responsible for compliance. The Compliance Section, headed by the Compliance Officer, is responsible for this segment of HT's operations. HT's Compliance Officer is in charge of the entire HT Group and its related parties. Some of the fundamental tasks of the Compliance Section include the following:

- Promoting a culture of compliance and integrity
- Early detection of compliance risks; analysis and assessment of these risks
- Early and sustainable integration of preventive measures into business processes to prevent compliance violations
- Consistently react to any compliance breaches
- Minimise the risk of liability for the Company
- Be perceived as a reliable partner for customers and business partners

The HT Group has a diversified supply chain that includes both domestic and international suppliers, making it extremely demanding to track all the risks that arise within this chain. We address this challenge through timely planning and a flexible approach to our suppliers. The HT Group regularly reviews the business practices and resilience of our suppliers to ensure, in collaboration with them, compliance with the governance rules applied in the HT Group. Each year, we conduct a Compliance Risk Assessment (CRA), which is approved by the Management Board and forms the basis for developing the Compliance Programme activities for the following year. One of the risks among those assessed is the corruption risk. Before concluding contracts with suppliers, we use various risk control methods including compliance checks, credit checks, checks for any legal disputes between the supplier and any HT Group member and checks against relevant sanction and embargo lists. Additionally, suppliers fill in questionnaires related to sustainable business practices and data protection, and agree to adhering to the provisions of the HT Group Supplier Code of Conduct. An anti-corruption clause is also included in our contracts with suppliers.

By the Procurement Regulations and internal instructions for conducting the procurement process, we ensure that procurement procedures are transparent and conducted in accordance with legal regulations and internal procedures. The Supplier Code of Conduct is a mandatory part of the documentation in the procurement process, and its violation can lead to contract termination. Most existing HT Group's suppliers have signed a statement accepting the Supplier Code of Conduct, and all new contracts, in addition to the anti-corruption clause, include the obligation to adopt the Code before signing the contract. Besides requiring business partners to adhere to HT's values and business conduct rules, the HT Group also checks their business practices before establishing a business relationship with suppliers to minimise potential risks for the HT Group. In this process, we conduct integrity checks, i.e., DT Non-Compliant list (NCL) which contains information from the relevant sanctions and embargo lists, creditworthiness checks, legal disputes checks and for all potential new partners we also verify business sustainability through the appropriate Supplier Questionnaire, i.e. protection guarantees for partners who process personal data (GDPR Questionnaire). The procurement department, with the support of the organisational units for compliance, legal affairs and customer finance, is responsible for collecting data to ensure the continuous monitoring and enforcement of the rules of conduct set forth in the Code. Supplier information is entered into a shared tool (the so-called White List), ensuring that we have the results of all necessary checks of potential partners in one place, accessible to all interested organisational units, thus enhancing the transparency of the partner verification procedure. The collected data on suppliers' creditworthiness is valid for one year, and information on integrity, NCL and legal disputes is valid for two years after the check is conducted. If the contract is extended or modified after two years, a re-check of the supplier is required.

All DT Group employees are obligated to pass an eLearning training in compliance, which includes the topics of anti-corruption, conflicts of interest and receiving and giving benefits. Certain employee categories who are designated as especially vulnerable (sales, procurement) as well as all managers must participate in regular classroom workshops on these topics. All of the above is an important tool for raising employee awareness and preventing corruption risks. The Compliance Officer, i.e. the Compliance Section, are accountable to the President of the Management Board (CEO). The Compliance Section is thus organised as a unit independent from other organisational units.

The approach relating to corruption and bribery prevention training at the HT Group requires all employees, including members of the administration bodies of the HT Group companies, to complete the e-learning training on compliance basics. This training covers the following topics: the basics of compliance, the Code of Conduct, conflict of interest and the fight against corruption. It also includes a self-assessment test on how to make decisions in difficult situations.

Besides that, members of administration bodies of the HT Group companies and some business areas within the HT Group, which have been assessed as more prone to the risk of compliance violation, complete regular in-person training for 30 to 60 minutes every three years. If an HT Group company defines other business functions as risky, they are also included in the training programme.

Business areas for which it was evaluated that there is an increased risk of compliance violation are included in the training programme completely (100%) to prevent corruption and bribery.

HT Group's Compliance Officer and DT's Compliance Officer for Europe conduct mandatory compliance training for HT's Management Board members every three years. The HT Group does not conduct compliance training for Supervisory Board members.

ESRS G1-4 – Confirmed incidents of corruption or bribery

G1-R1

In 2024, corruption or bribery incidents were not recorded, nor were there any convictions or fines due to any breach of the legislation on preventing corruption and bribery.

Independent Limited Assurance Report

Deloitte.

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INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Hrvatski Telekom d.d.

We have conducted a limited assurance engagement on the Sustainability Report included in section Sustainability Report of the Annual Report of Hrvatski Telekom d.d. (the "Company") and its subsidiaries (the "Group") as at 31 December 2024 and for the period from 1 January 2024 to 31 December 2024 (the "Sustainability Statement").

Identification of Applicable Criteria

The Sustainability Statement was prepared by the Management Board of the Company in order to satisfy the requirements of article 32 and 36 of Accounting Act implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards introduced by Commission Delegated Regulation (EU) of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council ("ESRS"), including that the process carried out by the Company to identify the information reported in the Sustainability Statement (the "Process") is in accordance with the description set out in note ESRS 2 IRO-1; and
- Compliance of the disclosures in subsection EU Taxonomy Report within the environmental section of the Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

Inherent Limitations in Preparing the Sustainability Statement

The criteria, nature of the Sustainability Statement, and absence of long-standing established authoritative guidance, standard applications and reporting practices allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact the comparability of sustainability matters reported by different organizations and from year to year within an organization as methodologies evolve.

In reporting forward looking information in accordance with ESRS, management of the Company is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Sustainability Statement, management of the Company interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

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

Responsibility of the Management Board of the Company

Management of the Company is responsible for designing and implementing a process to identify the information reported in the Sustainability Statement in accordance with the ESRS and for disclosing this process in note ESRS 2 IRO-1 of the Sustainability Statement. This responsibility includes:

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

Management of the Company is further responsible for the preparation of the Sustainability Statement, in accordance with article 32 and 36 of Accounting Act implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the ESRS;
- Preparing the disclosures in subsection EU Taxonomy Report within the environmental section of the Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- Designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- The selection and application of appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

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

Practitioner's Responsibility

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgment and maintain professional skepticism throughout the engagement.

Independent Limited Assurance Report (continued)

Deloitte.

INDEPENDENT LIMITED ASSURANCE REPORT (continued)

Practitioner's Responsibility (continued)

Our responsibilities in respect of the Sustainability Statement, in relation to the Process, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in note ESRS 2 IRO-1.

Our other responsibilities in respect of the Sustainability Statement include:

- Obtaining an understanding of the entity's control environment, processes and information systems relevant to the preparation of the Sustainability Statement but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to disclosures in the Sustainability Statement where material misstatements are likely to arise. 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.

Our Independence and Quality Management

We complied with the applicable independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "Code"). The Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Summary of Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Statement.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Statement.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and

- Evaluated whether the evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in note ESRS 2 IRO-1.

In conducting our limited assurance engagement, with respect to the Sustainability Statement, we:

- Obtained an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Statement by:
  - performing inquiries to understand the Group's control environment, processes and information systems relevant to the preparation of the sustainability statements;

- Evaluated whether material information identified by the Process to identify the information reported in the Sustainability Statement is included in the Sustainability Statement;
- Evaluated whether the structure and the presentation of the Sustainability Statement is in accordance with the ESRS;
- Performed inquires of relevant personnel and analytical procedures on selected disclosures in the Sustainability Statement;
- Performed substantive assurance procedures on a sample basis on selected disclosures in the Sustainability Statement;
- Obtained evidence on the methods for developing material estimates and forward-looking information and on how these methods were applied; and
- Obtained an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Statement.

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

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Statement is not prepared, in all material respects, in accordance with article 32 and 36 of Accounting Act implementing 29(a) of the EU Directive 2013/34/EU, including:

- Compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Company to identify the information reported in the Sustainability Statement is in accordance with the description set out in note ESRS 2 IRO-1; and
- Compliance of the disclosures in subsection EU Taxonomy Report within the environmental section of the Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

Other Matter

Our assurance engagement does not extend to information in respect of earlier periods.

Katarina Kadunc
Director and Certified auditor

Deloitte d.o.o.

25 March 2025
Radnička cesta 80,
10 000 Zagreb,
Croatia

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CONTENTS

Independent Auditor's Report

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IINDEPENDENT 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 2024, the separate and the consolidated statement of comprehensive income, and 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 2024, 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 Matter

Key audit matter is a matter that, in our professional judgment, was 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.

Revenue recognition

For accounting policies please refer to the Note 2.2.1 Significant accounting estimates - Revenue recognition and Note 2.3. (p) Revenue recognition as well as Note 4 Revenues from core business and segment information of the separate and the consolidated financial statements.

Key audit matter	How we addressed Key audit matter
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 Information technology (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.	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 accounts, 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.

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Independent Auditor's Report

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the separate and the consolidated financial statements and our auditor's report.

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, the Corporate Governance Report, which are included in the Annual Report, we have also performed the other procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report include required disclosures as set out in the Articles 22 and 24 of the Accounting Act and whether the Corporate Governance Report includes the information specified in the Articles 22 and 25 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 22 and 24 of the Accounting Act, excluding the requirements on sustainability reporting. In respect of the Sustainability Report, which is included as part of the other information and constitutes a separate part of the Management Report, we performed a limited assurance engagement, the results of which were presented in a separate limited assurance report with an unmodified conclusion.
3. Corporate Governance Report has been prepared, in all material aspects, in accordance with the Articles 22 and 25 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.

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.

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

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Independent Auditor’s Report

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 and the Group for the financial year ended 31 December 2024 prepared to be made public pursuant to Article 462 (5) of the Capital Market Act, contained in the electronic file [Croatian Telekom_2024-12-31_eng.zip], have been prepared in all material aspects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the Management and Those Charged with Governance

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

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

Furthermore, Company Management is responsible for the following:

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

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

Auditor’s Responsibilities

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

Quality management

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

Procedures performed

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

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

Our procedures focused on assessing whether:

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements (continued)

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

Conclusion

We believe that, based on the procedures performed and evidence obtained, the financial statements of the Company and the Group presented in the ESEF format, contained in the aforementioned electronic file, and based on the provision of Article 462 (5) of the Capital Market Act, have been prepared to be published for public, in all material aspects in accordance with the requirements of articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2024.

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 2024, we do not express any opinion on the information contained in these documents or other information contained in the above mentioned file.

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

We were appointed as the statutory auditor of the Company and the Group by the shareholders on General Assembly held on 9 May 2024 to perform audit of accompanying separate and consolidated financial statements. Our total uninterrupted engagement has lasted 2 years and covers period 1 January 2023 to 31 December 2024.

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 25 March 2025 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.

25 March 2025
Radnička cesta 80,
10 000 Zagreb,
Croatia

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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 adopted 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 25 March 2025.

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

25 March 2025

On behalf of the Group and the Company,

NATAŠA RAPAIĆ
President of the Management Board and CEO

MATIJA KOVAČEVIĆ
Member of the Management Board and CFO

BORIS DRILO
Member of the Management Board and CTIO

KREŠIMIR MADUNOVIĆ
Member of the Management Board and COO Residential

IVAN BARTULOVIĆ
Member of the Management Board and COO

SINIŠA ĐURANOVIĆ
Member of the Management Board and CCO

MARIJANA BAČIĆ
Member of the Management Board and COO Business

Consolidated and separate statement of comprehensive income

For the year ended 31 December 2024

		Group		Company	
EUR thousand	Notes	2024	2023	2024	2023
Revenue	4	1,101,579	1,039,335	957,315	868,393
Other operating income	5	12,589	8,639	11,838	8,047
Merchandise, material and energy expenses	6	(254,118)	(229,548)	(200,225)	(180,225)
Service expenses	7	(99,073)	(102,324)	(90,155)	(77,499)
Employee benefits expenses	9	(194,286)	(162,311)	(142,314)	(125,954)
Capitalized work performed by the Group and the Company	9	22,335	8,408	4,531	3,693
Depreciation and amortization	8	(272,032)	(270,229)	(242,135)	(231,948)
Impairment of non-current assets	8	(1,945)	(754)	(1,945)	(628)
Net impairment losses on trade receivables and contract assets	22	(4,302)	(12,050)	(3,214)	(10,544)
Other expenses	10	(131,155)	(117,777)	(127,452)	(100,295)
Operating profit	4	179,592	161,389	166,244	153,040
Finance income	11	9,831	8,586	6,808	6,829
Finance costs	12	(12,299)	(9,527)	(8,744)	(6,385)
Finance result		(2,468)	(941)	(1,936)	444
Profit before income tax		177,124	160,448	164,308	153,484
Income tax expense	13	(33,928)	(26,834)	(27,481)	(28,323)
Profit for the year		143,196	133,614	136,827	125,161
Items that may be subsequently reclassified to comprehensive income					
Effects of foreign exchange		-	-	-	-
Result from effective cash flow hedging		(8,412)	(172)	(8,412)	(172)
Items that will not be subsequently reclassified to comprehensive income					
Changes in the fair value of equity instruments at fair value		8	18	8	18
Actuarial gains		41	31	41	31
Other comprehensive loss for the year, net of tax		(8,363)	(123)	(8,363)	(123)
Total comprehensive income for the year, net of tax		134,833	133,491	128,464	125,038

		Group		Company	
EUR thousand	Notes	2024	2023	2024	2023
Profit attributable to:					
Equity holders of the Company		141,869	132,029	136,827	125,161
Non-controlling interest		1,327	1,585	-	-
		143,196	133,614	136,827	125,161
Total comprehensive income arisen from continuing operations attributable to:					
Equity holders of the Company		133,506	131,906	128,464	125,038
Non-controlling interest		1,327	1,585	-	-
		134.833	133.491	128.464	125.038
Earnings per share					
Basic and diluted, from continuing operations attributable to equity holders of the Company during the year	14	EUR 1.82	EUR 1.69	EUR 1.75	EUR 1.60

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 2024

EUR thousand	Notes	Group 31 December 2024	Group 31 December 2023	Company 31 December 2024	Company 31 December 2023
ASSETS					
Non-current assets					
Intangible assets	15	394,878	385,781	321,407	293,053
Right-of-use assets	17	81,363	72,346	72,556	63,615
Property, plant and equipment	16	867,881	842,861	797,102	760,259
Investment property		521	600	521	600
Investments in subsidiaries	18	-	-	166,465	212,100
Financial assets at fair value through other comprehensive income		293	910	281	835
Trade and other receivables	22	46,852	39,101	38,587	30,863
Contract assets	23	10,185	8,332	9,816	7,983
Capitalized contract costs	23	34,585	28,891	34,203	23,473
Prepayments	24	17,168	28,155	16,433	24,629
Deferred tax asset	13	20,042	22,925	19,027	18,461
Total non-current assets		**1,473,768**	**1,429,902**	**1,476,398**	**1,435,871**
Current assets					
Inventories	20	44,483	33,826	33,020	24,968
Assets classified as held for sale	21	31,561	31,561	31,700	31,700
Trade and other receivables	22	249,244	247,238	197,761	193,939
Contract assets	23	39,238	32,986	38,248	32,006
Capitalized contract costs	23	13,658	12,650	11,960	8,004
Receivables from subsidiaries	38	-	-	1,069	30,191
Prepayments	24	15,514	10,851	13,557	8,162
Financial assets at amortized cost	19	-	19,404	-	19,404
Bank deposits	25	-	10,000	-	-
Loans receivable from subsidiaries	38	-	-	-	3,010
Cash and cash equivalents	25	229,658	233,078	169,146	190,842
Total current assets		**623,356**	**631,594**	**496,461**	**542,226**
TOTAL ASSETS		**2,097,124**	**2,061,496**	**1,972,859**	**1,978,097**

EUR thousand	Notes	Group 31 December 2024	Group 31 December 2023	Company 31 December 2024	Company 31 December 2023
EQUITY AND LIABILITIES					
Capital and reserves					
Issued share capital	31	1,359,742	1,359,742	1,359,742	1,359,742
Legal reserves	32	67,987	67,987	67,987	67,987
Effects of foreign exchange		361	361	-	-
Other reserves		(9)	250	(76)	186
Cash flow hedge reserves	33	(8,584)	(172)	(8,584)	(172)
Reserve for treasury shares	34	28,579	21,226	28,579	21,226
Treasury shares		(29,653)	(22,170)	(28,579)	(21,226)
Retained earnings		225,416	231,329	201,455	243,127
Total equity attributable to equity holders of the parent		**1,643,839**	**1,658,553**	**1,620,524**	**1,670,870**
Non-controlling interest		32,739	32,939	-	-
Total capital and reserves		**1,676,578**	**1,691,492**	**1,620,524**	**1,670,870**
Non-current liabilities					
Provisions	29	14,023	13,759	13,490	12,910
Lease liabilities	17	55,408	50,930	49,782	44,802
Liabilities from other derivative financial instruments for cash flow hedges	33	8,584	172	8,584	172
Employee benefit obligations	28	3,417	2,901	2,663	2,331
Trade payables and other liabilities	26	23,589	9,459	22,566	7,338
Deferred tax liability	13	4,371	4,145	371	362
Total non-current liabilities		**109,392**	**81,366**	**97,456**	**67,915**
Current liabilities					
Trade payables and other liabilities	26	237,486	225,842	188,458	179,139
Contract liabilities	23	16,585	12,085	7,735	6,646
Employee benefit obligations	28	1,305	2,306	1,231	2,272
Accruals	30	19,920	16,449	14,151	13,757
Payables to subsidiaries	38	-	-	11,285	8,680
Lease liabilities	17	21,157	16,038	18,917	13,918
Income tax payable		2,596	8,271	980	7,255
Deferred income	27	12,105	7,647	12,122	7,645
Total current liabilities		**311,154**	**288,638**	**254,879**	**239,312**
Total liabilities		**420,546**	**370,004**	**352,335**	**307,227**
TOTAL EQUITY AND LIABILITIES		**2,097,124**	**2,061,496**	**1,972,859**	**1,978,097**

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 2024

		Group		Company	
EUR thousand	Notes	2024	2023	2024	2023
Operating activities					
Profit before income tax		177,124	160,448	164,308	153,484
Depreciation and amortization	*8*	272,032	270,229	242,135	231,948
Impairment loss of PPE & Intangible assets	*8*	1,945	754	1,945	628
Interest income	*11*	(6,987)	(7,009)	(6,160)	(6,552)
Interest expense	*12*	8,946	7,623	7,587	6,034
Gain on disposal of assets		(4,177)	(500)	(4,269)	(434)
Other net financial loss	*11,12*	509	327	509	74
(Increase) / decrease in inventories		(10,657)	1,023	(8,052)	(1,702)
Net impairment losses on trade receivables and contract assets		4,302	12,050	3,214	10,544
Increase in receivables and prepayments		(14,203)	(60,973)	(7,144)	(59,608)
Increase in contract assets/costs		(5,687)	(10,470)	(7,857)	(11,877)
Increase in payables and accruals		14,578	25,326	10,314	28,055
Increase contract liabilities		4,500	1,717	1,089	1,818
Increase / (decrease) in provisions		580	(3,036)	321	(3,283)
(Decrease) / increase in employee benefit obligations		(485)	1,199	(709)	1,203
Increase in accruals	*30*	3,471	2,362	394	1,942
Other non-cash items		599	394	526	1,121
Cash generated from operations		446,390	401,464	398,151	353,395
Interest paid		(6,553)	(6,533)	(5,707)	(5,431)
Income tax paid		(38,813)	(34,417)	(36,631)	(32,012)
Net cash flows from operating activities		**401,024**	**360,514**	**355,813**	**315,952**
Investing activities					
Purchase of non-current assets		(207,815)	(303,565)	(186,447)	(275,903)
Proceeds from sale of non-current assets		5,250	1,181	6,124	784
Receipts from investments in financial assets		29,485	10,825	19,395	10,000
Other investment paid		-	(282)	-	(469)
Given loan to subsidiary		-	-	(37,300)	(27,000)
Loan repayment from subsidiary		-	-	40,300	25,991
Proceeds from given guarantee deposit		-	3,395	-	-
Payments for secured deposits		-	(29,320)	-	(29,190)
Interest received		7,588	6,511	5,375	5,771
Net cash flows used in investing activities		**(165,492)**	**(311,255)**	**(152,553)**	**(290,016)**
Financing activities					
Dividends paid	*35*	(119,210)	(86,464)	(119,210)	(86,464)
Dividend paid to non-controlling interest in subsidiaries		(1,214)	(541)	-	-
Repayment of radio frequency spectrum and content	*41*	(41,473)	(34,613)	(34,596)	(26,659)
Repayment of lease liability principal amounts		(47,198)	(45,568)	(42,716)	(40,556)
Acquisition of treasury shares		(29,857)	(22,417)	(28,434)	(21,190)
Net cash flows used in financing activities		**(238,952)**	**(189,603)**	**(224,956)**	**(174,869)**
Net decrease in cash and cash equivalents		(3,420)	(140,344)	(21,696)	(148,933)
Cash and cash equivalents as at 1 January		233,078	373,422	190,842	339,775
Cash and cash equivalents as at 31 December	*25*	**229,658**	**233,078**	**169,146**	**190,842**

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

Consolidated statement of changes in equity

For the year ended 31 December 2024

Group

EUR thousand	Issued share capital (Note 31)	Legal reserves (Note 32)	Effects of foreign exchange	Other reserves	Cash flow hedge reserves (Note 33)	Reserve for treasury share (Note 34)	Treasury shares (Note 34)	Retained earnings (Note 35)	Total equity attributable to equity holders of the parent	Non- controlling interest	Total equity
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 35)	-	-	-	-	-	-	-	(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**
Balance as at 1 January 2024	**1,359,742**	**67,987**	**361**	**250**	**(172)**	**21,226**	**(22,170)**	**231,329**	**1,658,553**	**32,939**	**1,691,492**
Profit for the year	-	-	-	-	-	-	-	141,869	141,869	1,327	143,196
Other comprehensive income for the year	-	-	-	8	(8,412)	-	-	41	(8,363)	-	(8,363)
Total comprehensive income for the year	**-**	**-**	**-**	**8**	**(8,412)**	**-**	**-**	**141,910**	**133,506**	**1,327**	**134,833**
Dividends (Note 35)	-	-	-	-	-	-	-	(119,210)	(119,210)	(1,214)	(120,424)
Reserve for treasury shares	-	-	-		-	27,633	-	(27,633)	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(29,544)	-	(29,544)	(313)	(29,857)
Share based granted	-	-	-		-	-	801	-	801	-	801
Shares cancelled	-	-	-	-	-	(20,280)	21,260	(980)	-	-	-
Other changes	-	-	-	(267)	-	-	-	-	(267)	-	(267)
Balance as at 31 December 2024	**1,359,742**	**67,987**	**361**	**(9)**	**(8,584)**	**28,579**	**(29,653)**	**225,416**	**1,643,839**	**32,739**	**1,676,578**

Separate statement of changes in equity

For the year ended 31 December 2024

Company

EUR thousand	Issued share capital (Note 31)	Legal reserves (Note 32)	Other reserves	Cash flow hedge reserves (Note 33)	Reserve for treasury shares (Note 34)	Treasury shares (Note 34)	Retained earnings (Note 35)	Total
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 (Note 35)	-	-	-	-	-	-	(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
Balance as at 1 January 2024	1,359,742	67,987	186	(172)	21,226	(21,226)	243,127	1,670,870
Profit for the year	-	-	-	-	-	-	136,827	136,827
Other comprehensive income for the year	-	-	8	(8,412)	-	-	41	(8,363)
Total comprehensive income for the year	-	-	8	(8,412)	-	-	136,868	128,464
Reserve for treasury shares	-	-	-	-	27,633	-	(27,633)	-
Acquisition of treasury shares	-	-	-	-	-	(28,434)	-	(28,434)
Shares cancelled	-	-	-	-	(20,280)	20,280	-	-
Share based granted	-	-	-	-	-	801	-	801
Effect of merger of subsidiary (Note 3)	-	-	-	-	-	-	(31,697)	(31,697)
Other changes	-	-	(270)	-	-	-	-	(270)
Dividends (Note 35)	-	-	-	-	-	-	(119,210)	(119,210)
Balance as at 31 December 2024	1,359,742	67,987	(76)	(8,584)	28,579	(28,579)	201,455	1,620,524

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

Notes to the consolidated and separate financial statements

For the year ended 31 December 2024

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 53.54% holding. Deutsche Telekom Europe B.V. is 100% owned by Deutsche Telekom Europe Holding B.V. Deutsche Telekom Europe Holding B.V is 100% owned by Deutsche Telekom Europe Holding GmbH which is 100% owned by Deutsche Telekom AG ("DTAG"). Thus, Deutsche Telekom AG is the ultimate controlling parent.

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

The consolidated financial statements include the financial statements of:

Entity		Country of Business	Principal Activities	Ownership interest 31 December 2024	Ownership interest 31 December 2023
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%
Crnogorski Telekom AD	Subsidiary	Republic of Montenegro	Provision of fixed and mobile telephony services, internet and data services	78.10%	76.93%
HT holding d.o.o.	Subsidiary	Republic of Croatia	Founding and managing other companies	100%	100%
HT servisi d.o.o.	Subsidiary	Republic of Croatia	Planning and construction of fixed and mobile networks	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 2024 was 5,751 (31 December 2023: 4,917) and the total number of employees of the Company as at 31 December 2024 was 4,219 (31 December 2023: 3,804).

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 2024 were authorized for issue in accordance with a resolution of the Management Board on 25 March 2025. 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 Deutsche Telekom Group are disclosed on the web page of Deutsche Telekom in Investor Relations.

2 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, as disclosed in the accounting policies hereafter.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

2.1 Changes in accounting policies and disclosures

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

In the current year, the Company and the Group 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 2024.

Standard	Title
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 Company and the Group 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 IAS 21	Lack of Exchangeability	1 January 2025

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 as at date of authorisation of these financial statements:

Standard	Title	EU adoption status
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments (IASB effective date: 1 January 2026)	Not yet adopted by EU
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity (IASB effective date: 1 January 2026)	Not yet adopted by EU
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards - Volume 11 (IASB effective date: 1 January 2026)	Not yet adopted by EU
IFRS 18	Presentation and Disclosures in Financial Statements (IASB effective date: 1 January 2027)	Not yet adopted by EU
IFRS 19	Subsidiaries without Public Accountability: Disclosures (IASB effective date: 1 January 2027)	Not yet adopted by EU
IFRS 14	Regulatory Deferral Accounts (IASB effective date: 1 January 2016)	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

Although the standard IFRS 18 is not yet effective, it is expected to have no significant impact on the Group's and Company's financial reporting, as current disclosure practices are already aligned with the key requirements of this standard.

The Company and the Group do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Company and the Group 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 Company's and the Group'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.

2.2 Significant accounting judgments, estimates and assumptions

2.2.1 Significant accounting estimates

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

Capitalized content rights

The rights to use electronic signals to broadcast sport events, TV programs, movies, music streams, etc. shall be capitalized as intangible assets if all 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, 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 29 and 37. 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.

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. Furthermore, 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.

2.2 Significant accounting judgments, estimates and assumptions (continued)

2.2.1 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 2024 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 2.3.) 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 relates 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 and Company 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 - Financial Instruments ("IFRS 9"). The measurement of expected loss is based on reasonable and supporting information that is available without additional expenses and effort and which include information on past events, current and foreseeable future conditions and circumstances.

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

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

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

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

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

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

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

2.2 Significant accounting judgments, estimates and assumptions (continued)

2.2.1 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 behaviour 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).

Revenue recognition

Following IFRS15 - Revenue from Contracts with Customers 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% (2023: 3%-10%) and penalty fee collection in range of 52%-88% (2023: 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% (2023: 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 less costs of sale 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.

2.3 Significant accounting policies

a) Operating profit

Operating profit is defined as the result before income taxes and finance items. Finance items comprise of 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 acquiree 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 acquiree 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.

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

Purchases of subsidiaries from parties under common control

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

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

c) Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. At Company level, 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

2.3 Significant accounting policies (continued)

d) Investment in joint venture (continued)

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

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

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

e) Intangible assets

Intangible assets are measured initially at cost.

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

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 each year. Please see Note 15 for more details.

2.3 Significant accounting policies (continued)

f) Property, plant and equipment

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

In addition to directly attributable costs, the costs of internally constructed assets include proportionate indirect material and labour costs, as well as other expenses of an organizational unit that can be directly attributable to the acquisition of the asset or to bringing the asset to working condition.

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

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

Useful lives of newly acquired assets are as follows:

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

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

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

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

g) Impairment of non-financial assets

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

h) Inventories

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

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

i) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Income-related grants (monetary grants that are not asset-related) are to be deducted from the related costs on a systematic basis over the periods that the related costs for which the grant is intended are recognised, in accordance with the IAS 20 - Accounting for government grants and disclosure of assistance policy choice exercised in the Company and the Group (net presentation). If it is not possible to determine the related costs or to reasonably allocate them, the grants is recognized as other operating income.

j) Investment property

Investment property, principally comprising of 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 (2023: 10 to 50 years).

2.3 Significant accounting policies (continued)

j) Investment property (continued)

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

l) Financial assets

All assets are classified and measured as described below:

Classification and measurement	Classification / measurement
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 subsequent reclassification 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 subsequent reclassification 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 a 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).

2.3 Significant accounting policies (continued)

l) Financial assets (continued)

Equity instruments

Held equity instruments include strategic investments. The valuation of equity instruments is measured these through 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.

Cash flow hedge derivative

The Company and the Group use cash flow hedges to manage its exposure to variability in cash flows attributable to an electricity costs. The Company's and the Group's risk management strategy and hedge accounting policies align with the relevant accounting standards, including IFRS 9.

At the inception of the hedge, the Company and the Group formally designate and document the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and the method for assessing the hedge effectiveness.

The hedged item is represented by the forecasted energy consumption of Company and Group for the period beginning from 1 October 2024 until 30 September 2034 while hedging instrument is represented by virtual Power Purchase Agreement (vPPA).

The Company and the Group assess, both prospectively and retrospectively, whether the hedge is expected to be, and has been, highly effective in achieving offsetting changes in cash flows attributable to the hedged risk. This assessment is performed at the inception of the hedge and on an ongoing basis (quarterly).

The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognized in Other Comprehensive Income (OCI) and accumulated in the cash flow hedge reserve in equity. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

The gain or loss relating to any ineffective portion of the hedging instrument is recognized immediately in profit or loss.

Hedge accounting is discontinued when:

- The hedging instrument expires or is sold, terminated, or exercised.
- The hedge no longer meets the criteria for hedge accounting.
- The forecast transaction is no longer expected to occur.

When hedge accounting is discontinued, any cumulative gain or loss on the hedging instrument previously recognized in equity remains in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gain or loss is reclassified from equity to profit or loss.

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.

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 source 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.

2.3 Significant accounting policies (continued)

n) Taxation (continued)

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.
Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities in the statement of financial position. Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. Current and deferred taxes are charged or credited in other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period in other comprehensive income.

o) Employee benefit obligations

The Group and Company provide post-employment benefits and incentive plan payments (Note 28). These benefits include pension, jubilee benefit, LTI and Game Changer. The defined benefit obligation is calculated annually by independent actuary using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

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

p) Revenue recognition

Revenue is income arising from the Group's and Company's ordinary activities.

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

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

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

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

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

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

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

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

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

2.3 Significant accounting policies (continued)

p) Revenue recognition (continued)

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.

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

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

Discounts or uneven transaction prices – When discounts on service fees are granted unevenly for specific months of a contract or monthly service fees are charged unevenly for specific months of a contract while monthly service is provided evenly to the customer, service revenue is recognized on a straight-line 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 fair value through profit and loss.

r) Provisions

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 are 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.

2.3 Significant accounting policies (continued)

r) Provisions (continued)

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.

Asset retirement obligation ("ARO") 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. 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) Share-based payments

The cost of cash-settled and equity-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 43. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability for cash-settled and equity-settled transactions are 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.

t) 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.

u) 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.

v) 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.

w) 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.

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, and
- 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 - 31 years
Equipment	1 - 4 years
Land	0.5 - 30 years
Lease lines	1 - 25 years
Vehicles	1 - 6 years

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

Short-term leases are leases with a lease term of 1 month or less, they are recognised on a straight-line basis as an expense in profit or loss.

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

2.3 Significant accounting policies (continued)

x) 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, and
- 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 minimum 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.

y) Finance lease

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

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

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

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

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

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

3 Changes in Group structure

Iskon Internet d.d. merger

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:

	EUR thousand
Non-current assets	10,609
Current assets	30,418
Liabilities	36,465
Total net assets	**4,562**
Goodwill	10,090
Investment in Iskon Internet d.d.	(46,349)
Total effect of merger on retained earnings of the Company	(31,697)

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.

HT Services Ltd, consolidation

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 Servces Ltd. (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.

The carrying value of transferred assets and liabilities of HT Services Ltd. as at the date of consolidation in HT Group were:

	EUR thousand
Assets	1,069
Liabilities	352
Total net assets	**717**
Investment in HT Services Ltd	717

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.

4 Revenues from core business and 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 Combis d.o.o. (that is owned through HT holding d.o.o.) and Iskon Internet d.d. (until the merger with HT on 1 January 2024) are consolidated within the respective operating segments to which they relate.

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

EUR thousand	Residential	Business	Other	Crnogorski Telekom consolidated	Total
Year ended 31 December 2024					
Mobile service revenue	*251,851*	*120,671*	*-*	*40,630*	*413,152*
Mobile non-service revenue	*106,510*	*52,976*	*22,764*	*10,798*	*193,048*
Fixed service revenue	*236,463*	*83,678*	*-*	*26,544*	*346,685*
Fixed non-service revenue	*4,525*	*44,626*	*7,961*	*8,449*	*65,561*
System solutions revenue	*-*	*79,272*	*-*	*3,861*	*83,133*
Net revenue	**599,349**	**381,223**	**30,725**	**90,282**	**1,101,579**
Other operating income	*-*	*-*	*-*	*-*	*12,589*
Operating expenses	*-*	*-*	*-*	*-*	*(660,599)*
Depreciation and amortization	*-*	*-*	*-*	*-*	*(272,032)*
Impairment of non-current assets	*-*	*-*	*-*	*-*	*(1,945)*
Operating profit	**-**	**-**	**-**	**-**	**179,592**
Finance income (cost) net	*-*	*-*	*-*	*-*	*(2,468)*
Profit before income tax	**-**	**-**	**-**	**-**	**177,124**

EUR thousand	Residential	Business	Other	Crnogorski Telekom consolidated	Total
Year ended 31 December 2023					
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	*-*	*-*	*-*	*-*	*(270,229)*
Impairment of non-current assets	*-*	*-*	*-*	*-*	*(754)*
Operating profit	**-**	**-**	**-**	**-**	**161,389**
Finance income (cost) net	*-*	*-*	*-*	*-*	*(941)*
Profit before income tax	**-**	**-**	**-**	**-**	**160,448**

4 Revenues from core business and segment information (continued)

Revenue by geographical area

	Group		Company	
EUR thousand	**2024**	**2023**	**2024**	**2023**
Republic of Croatia	928,861	863,804	882,979	803,867
Rest of the world	172,718	175,531	74,336	64,526
Total	**1,101,579**	**1,039,335**	**957,315**	**868,393**

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

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

Revenue by category

	Group		Company	
EUR thousand	**2024**	**2023**	**2024**	**2023**
Revenue from rendering of services	872,296	839,922	777,705	706,565
Revenue from sale of goods and merchandise	229,283	199,413	179,610	161,828
Total	**1,101,579**	**1,039,335**	**957,315**	**868,393**

	Group		Company	
EUR thousand	**2024**	**2023**	**2024**	**2023**
Revenue realized over time	878,799	833,523	744,118	676,002
Revenue realized at point in time	222,780	205,812	213,197	192,391
Total	**1,101,579**	**1,039,335**	**957,315**	**868,393**

5 Other operating income

	Group		Company	
EUR thousand	**2024**	**2023**	**2024**	**2023**
Liabilities write off	3,244	4,212	3,243	4,211
Gain from sale of property, plant and equipment	4,496	638	4,488	590
Income from penalties and damage compensations	1,948	827	1,948	797
Sale of waste	95	240	95	125
Other income	2,806	2,722	2,064	2,324
Total	**12,589**	**8,639**	**11,838**	**8,047**

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	**2024**	**2023**	**2024**	**2023**
Cost of goods sold	218,469	192,078	167,290	145,449
Energy costs	28,604	33,306	26,733	31,520
Cost of raw material and supplies	5,806	3,084	4,507	2,227
Cost of services sold	1,239	1,080	1,695	1,029
Total	**254,118**	**229,548**	**200,225**	**180,225**

7 Service expenses

	Group		Company	
EUR thousand	2024	2023	2024	2023
International interconnection	25,437	40,585	22,830	21,920
Domestic interconnection	22,257	23,911	18,754	20,558
Copyright fees	19,997	14,337	18,587	12,899
Online services	4,410	4,941	3,576	4,126
Cleaning services	2,716	2,503	2,524	2,348
Security services	2,191	1,647	2,085	1,495
Bank and money transfer fees	1,902	1,811	1,777	1,666
Other services	20,163	12,589	20,022	12,487
Total	**99,073**	**102,324**	**90,155**	**77,499**

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	2024	2023	2024	2023
Depreciation	119,198	119,834	108,892	106,448
Amortization	105,006	107,029	89,813	86,274
Amortization of Right-of-use assets	47,828	43,366	43,430	39,226
Total depreciation and amortization	272,032	270,229	242,135	231,948
Impairment loss of PPE & Intangible assets	1,945	754	1,945	628
Total impairment of non-current assets	**1,945**	**754**	**1,945**	**628**

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

9 Employee benefits expenses

	Group		Company	
EUR thousand	2024	2023	2024	2023
Net salaries	115,662	93,500	85,747	72,244
Contributions and taxes from salaries	43,257	36,848	31,797	28,406
Contributions on salaries	21,034	17,475	15,934	13,818
Redundancy expenses	7,681	8,672	4,654	7,616
Amortisation of capitalized cost to obtain contract – own employees	627	630	627	630
Long-term employee benefits	489	230	112	105
Other employee related expenses	5,536	4,956	3,443	3,135
Total	**194,286**	**162,311**	**142,314**	**125,954**

Other employee-related costs include mostly transportation costs to and from work, financial help for children of employees or students, and similar costs.

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 design, implementation and documentation of telecommunication infrastructure, Customer-premises equipment installation and development, implementation and integration of hardware and software solutions.

Capitalized work are realized in amount of EUR 22,335 thousand in Group (2023: EUR 8,408 thousand) and EUR 4,531 thousand in Company (2023: EUR 3,693 thousand).

10 Other expenses

	Group		Company	
EUR thousand	2024	2023	2024	2023
Maintenance services	28,952	36,293	35,160	31,932
Licence cost	16,026	10,216	15,860	9,403
Advertising	15,836	14,402	13,697	11,733
Amortisation of capitalized cost to obtain contract - external parties	11,518	9,177	11,043	6,949
Contract workers	10,142	9,504	8,692	7,141
Selling commissions	8,396	7,755	7,488	7,049
Provisions for legal cases (Note 29)	7,222	(2,902)	7,575	(2,918)
Postal expenses	5,347	4,698	5,312	4,298
Non-income taxes and contribution	4,916	5,841	4,255	4,307
Expenses from penalties and damage compensations	3,509	2,641	3,365	3,087
Daily allowances and other costs of business trips	3,437	2,753	2,699	2,037
Short-term rental costs (Note 17)	3,396	2,023	2,778	1,697
Insurance	2,461	2,120	2,330	1,992
Education and consulting	1,961	1,945	1,459	1,506
Expenses related to customers acquisition	646	992	646	992
Loss on disposal of fixed assets	319	329	219	256
Write down of inventories	235	133	235	133
Other operating charges	6,836	9,857	4,639	8,701
Total	131,155	117,777	127,452	100,295

Other operating charges consist of various other expenses such as contract penalties, entertainment, legal, audit and medical expenses.

11 Finance income

	Group		Company	
EUR thousand	2024	2023	2024	2023
Interest income	6,987	7,009	6,160	6,552
Foreign exchange gains	2,844	1,573	648	273
Other financial income	-	4	-	4
Total	9,831	8,586	6,808	6,829

12 Finance cost

	Group		Company	
EUR thousand	2024	2023	2024	2023
Interest expense from leases	5,325	4,547	4,571	3,752
Interest expense from other financial liabilities	3,621	3,076	3,016	2,282
Foreign exchange loss	2,786	1,641	503	283
Other financial cost	567	263	654	68
Total	12,299	9,527	8,744	6,385

13 Income tax expense

a) Tax on profit

	Group		Company	
EUR thousand	2024	2023	2024	2023
Current tax expense	30,828	32,086	27,642	29,992
Deferred tax expense	3,100	(5,252)	(161)	(1,669)
Total	33,928	26,834	27,481	28,323

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

13 Income tax expense (continued)

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

	Group		Company	
EUR thousand	**2024**	**2023**	**2024**	**2023**
Profit before tax	177,124	160,448	164,308	153,484
Income tax at 18% (domestic rate)	31,882	28,881	29,575	27,627
Tax effect of:				
Tax adjustment related to previous years	-	-	(3,506)	11
Expenses not deductible for tax purposes	1,818	969	1,000	685
Effect of different tax rates	241	(520)	-	-
Tax effects of tax loss for which no deferred income tax asset was recognised	(115)	(2,397)	-	-
Tax paid abroad	326	94	-	-
Other	(224)	(193)	412	-
Total	33,928	26,834	27,481	28,323
Effective tax rate	19.15%	16.72%	16.73%	18.45%

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.

Group

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

Deferred tax assets recognized in: **EUR thousand**	**31 December 2024**	**(charged) / credited in 2024**	**tax effects of tax loss in 2024**	**31 December 2023**	**(charged) / credited in 2023**	**31 December 2022**
Statement of comprehensive income						
Non-tax deductible provisions	6,586	206	-	6,380	573	5,807
Property, plant and equipment write down	6,423	(195)	-	6,618	1,626	4,992
Accrued interest on legal cases	755	28	-	727	57	670
Losses	30	(3,592)	115	3,507	3,507	-
Accruals	5,958	555	-	5,403	(754)	6,157
Other	290	-	-	290	-	290
Deferred tax asset	20,042	(2,998)	115	22,925	5,009	17,916

Deferred tax liabilities recognized in: **EUR thousand**	**31 December 2024**	**charged / (credited) in 2024**	**tax effects of tax loss in 2024**	**31 December 2023**	**charged / (credited) in 2023**	**31 December 2022**
Statement of comprehensive income						
Property, plant, equipment and intangible assets	4,000	217	-	3,783	(243)	4,026
	4,000	**217**	**-**	**3,783**	**(243)**	**(4,026)**
Other comprehensive income						
Actuarial gains and losses	371	9	-	362	8	354
Deferred tax liability	4,371	226	-	4,145	(235)	4,380

13 Income tax expense (continued)

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

Company

Deferred tax assets recognized in: EUR thousand	31 December 2024	(charged) / credited in 2024	Merger in 2024	31 December 2023	(charged) / credited in 2023	31 December 2022
Statement of comprehensive income						
Losses	-	(3,507)	3,507	-	-	-
Losses written off	-	3,507	(3,507)	-	-	-
Non-tax-deductible provisions	5,602	(226)	32	5,796	739	5,057
Property, plant and equipment write down	6,423	(196)	373	6,246	1,627	4,619
Accrued interest on legal cases	755	28	-	727	57	670
Other	6,247	555	-	5,692	(754)	6,446
	19,027	161	405	18,461	1,669	16,792
Other comprehensive income						
Actuarial gains and losses	-	-	-	-	-	-
Deferred tax asset	**19,027**	**161**	**405**	**18,461**	**1,669**	**16,792**

Deferred tax liabilities recognized in: EUR thousand	31 December 2024	charged / (credited) in 2024	Merger in 2024	31 December 2023	charged / (credited) in 2023	31 December 2022
Other comprehensive income						
Actuarial gains and losses	371	9	-	362	8	254
Deferred tax liability	**371**	**9**	**-**	**362**	**8**	**254**

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 10,941 thousand for Group and EUR 10,718 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. 2026 for the 2024 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. The claim was paid by the Tax Administration in the amount of EUR 1,258,288.49 on April 26, 2024.

On reporting date, the Group has available EUR 15,256 thousand of tax loss, of which EUR 13,785 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
2025	-
2026	-
2027	13,785
2028	-
2029	1,471
	15,256

Global Minimum Taxation

Regulations according to the OECD Pillar-2 Model Rules which shall ensure a minimum level of taxation for multinational Groups were implemented into domestic law in Croatia by the Law on Minimum Global Profit Tax (Official Gazette 155/2023, 22.12.2023) effective as of December 31st, 2023.

13 Income tax expense (continued)

Hrvatski Telekom Group being part of Deutsche Telekom Group is in scope of these regulations which came into effect for the current reporting period. Other countries in which HT Group operates have either implemented such regulations or are in the process of implementation. Therefore, also foreign affiliates of HT Group had to consider respective domestic legislation on global minimum taxes in the reporting period for the first time.

As of December 31th 2024, no provision for global minimum taxes has been recorded in the HT Group consolidated financial statements. The IASB published a temporarily exemption from deferred tax accounting related to global minimum taxes in May 2023. This exemption as defined in IAS 12.4A is applied, hence no deferred taxes are recorded with respect to global minimum taxes and no respective notes are given.

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	
	2024	2023	2024	2023
Profit for the year attributable to ordinary equity holders of the Company (in EUR thousand)	141,869	132,029	136,827	125,161
Weighted average number of ordinary shares for basic earnings per share	78,016,858	78,334,748	78,016,858	78,334,748
Earnings per share (in EUR)	**1.82**	**1.69**	**1.75**	**1.60**

15 Intangible assets

Group

EUR thousand	Licences	Software	Goodwill	Other assets	Assets under construction	Total
As at 1 January 2023						
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)	-	(769,829)
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**
Year ended 31 December 2024						
Opening net book value	61,597	87,352	46,087	28,051	162,694	385,781
Additions	17,772	16,881	-	32,658	46,690	114,001
HT Services consolidation	-	3	-	-	-	3
Transfers	132,750	35,343	-	2,613	(170,706)	-
Amortization charge	(13,391)	(52,952)	-	(38,663)	-	(105,006)
Disposal	(36)	-	-	-	-	(36)
Other	-	17	-	-	118	135
Net book value	**198,692**	**86,644**	**46,087**	**24,659**	**38,796**	**394,878**
As at 31 December 2024						
Cost	337,885	541,392	46,087	119,814	38,796	1,083,974
Accumulated amortization and impairment losses	(139,193)	(454,748)	-	(95,155)	-	(689,096)
Net book value	**198,692**	**86,644**	**46,087**	**24,659**	**38,796**	**394,878**

15 Intangible assets (continued)

Company

EUR thousand	Licences	Software	Goodwill	Other assets	Assets under construction	Total
As at 1 January 2023						
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**
Year ended 31 December 2024						
Opening net book value	33,732	68,617	6,567	21,298	162,839	293,053
Additions	17,670	13,024	-	28,417	39,583	98,694
Transfers	137,427	29,497	-	-	(166,924)	-
Iskon Internet d.d. merger	548	7,103	10,182	1,640	-	19,473
Amortization charge	(10,936)	(44,307)	-	(34,570)	-	(89,813)
Net book value	**178,441**	**73,934**	**16,749**	**16,785**	**35,498**	**321,407**
As at 31 December 2024						
Cost	275,637	478,737	16,749	77,753	35,498	884,374
Accumulated amortization and impairment losses	(97,196)	(404,803)	-	(60,968)	-	(562,967)
Net book value	**178,441**	**73,934**	**16,749**	**16,785**	**35,498**	**321,407**

The intangible assets of the Group as at 31 December 2024 include twenty licences for Group and nine licences for the Company for use of the radio frequency spectrum (Notes 2.3. e) and 42 b).

Other assets mainly consist of brand name in the amount of EUR 1,381 thousand (31 December 2023: EUR 1,381 thousand), customer relationships in the amount of EUR 492 thousand (31 December 2023: EUR 749 thousand) and capitalized content contracts in the amount of EUR 16,468 thousand for Group and EUR 13,443 thousand for Company (31 December 2023: Group EUR 17,838 thousand, Company EUR 13,143 thousand).

The remaining amount relates to other assets in the amount of EUR 1,469 thousand for the Company (31 December 2023: EUR 6,025 thousand), or EUR 6,318 for the Group (31 December 2023: EUR 8,083 thousand).

Assets under construction primarily relate to software.

Intangible assets with indefinite useful life consist of brand name related to EVOtv with carrying value as at 31 December 2024 in the amount of EUR 1,381 thousand (31 December 2023: EUR 1,381 thousand) which is classified in Other assets and HAKOM licence related to EVOtv services with carrying value as at 31 December 2024 in the amount of EUR 5,332 thousand (31 December 2023: EUR 5,332 thousand) which is classified in Licences.

Additions of intangible assets

Major additions in 2024 relate to the license for the use of radio frequency spectrum in the amount of EUR 17,153 thousand for the Group and EUR 17,153 thousand for the Company (31 December 2023: EUR 140,438 thousand for the Group and EUR 135,548 thousand for the Company) and capitalized content costs in the amount of EUR 31,520 thousand for the Group (31 December 2023: EUR 38,060 thousand)and EUR 27,279 thousand for the Company (31 December 2023: EUR 30,798 thousand).

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 2024 EUR thousand	31 December 2023 EUR thousand
Residential	13,898	13,898
Business	14,152	14,152
Crnogorski Telekom	18,037	18,037
Total	**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 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Growth rate	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Discount rate (pre-tax)	10.23%	10.53%	8.08%	8.04%	8.08%	8.04%
Sales growth rate	0.7%	0.8%	2.0%	2.5%	2.3%	0.8%
Budgeted EBITDA margin	45.3%	46.9%	55.3%	59.9%	42.5%	47.7%
Average annual capital expenditure (EUR thousand)	23,601	20,827	156,175	125,558	79,346	71,913

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 2024 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 0.7% sales growth rate (2023: 0.8%) and 1% compound annual growth rate (2023: 1%). The pre-tax discount rate applied to cash flow projections is 10.23% (2023: 10.53%). Forementioned growth rates are based on compound annual growth rates in telecommunications industry and average rates derived from actual results in previous years. The management has also taken into consideration the recent negative impact and uncertainties caused by war in Ukraine, strong inflationary pressures and negative impact on available income of the consumers and economic activities as well as the overall economic situation in Crna Gora. As a result of this analysis, management has not recognised an impairment charge in the current year.

Residential CGU

The recoverable amount of the Residential CGU as of 31 December 2024 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 2.0% sales growth rate (2023: 2.5%) and 1% compound annual growth rate (2023: 1%). The pre-tax discount rate applied to cash flow projections is 8.08% (2023: 8.04%). 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 2024 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 2.3% sales growth rate (2023: 0.8%) and 1% compound annual growth rate (2023: 1%). The pre-tax discount rate applied to cash flow projections is 8.08% (2023: 8.04%). 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. After the merger of Iskon Internet with HT d.d., services provided by Iskon are provided within the Company's portfolio under the Iskon brand. For the purposes of testing goodwill for impairment, the Iskon brand is included in the Residential segment. 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.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

16 Property, plant and equipment

Group

EUR thousand	Land and buildings	Telecom plant and machinery	Tools, vehicles, IT and office equipment	Assets under construction	Total
As at 1 January 2023					
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	2,001,510	140,948	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**
Year ended 31 December 2024					
Opening net book value	83,075	574,999	33,899	150,888	842,861
Additions	1,534	45,303	8,181	91,052	146,070
Transfers	4,816	65,621	855	(71,292)	-
HT Services consolidation	-	-	810	111	921
Disposals	(683)	(39)	(356)	(285)	(1,363)
Other	-	127	-	376	503
Depreciation charge	(9,331)	(97,623)	(12,212)	-	(119,166)
Impairment loss	(1,082)	(863)	-	-	(1,945)
Net book value	**78,329**	**587,525**	**31,177**	**170,850**	**867,881**
As at 31 December 2024					
Cost	342,273	2,066,875	146,380	170,850	2,726,378
Accumulated depreciation and impairment losses	(263,944)	(1,479,350)	(115,203)	-	(1,858,497)
Net book value	**78,329**	**587,525**	**31,177**	**170,850**	**867,881**

Company

EUR thousand	Land and buildings	Telecom plant and machinery	Tools, vehicles, IT and office equipment	Assets under construction	Total
As at 1 January 2023					
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	1,894	47,226	1,720	(50,840)	-
Transfers from investment property	781	-	-	-	781
Disposals	(164)	(11)	(289)	-	(464)
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**
Year ended 31 December 2024					
Opening net book value	66,590	528,167	23,877	141,625	760,259
Additions	410	37,341	7,033	91,566	136,350
Transfers	4,676	64,738	2,220	(71,634)	-
Iskon Internet d.d. merger	84	11,053	424	802	12,363
Disposals	(683)	(1)	(96)	(285)	(1,065)
Depreciation charge	(8,256)	(90,501)	(10,103)	-	(108,860)
Impairment loss	(1,082)	(863)	-	-	(1,945)
Net book value	**61,739**	**549,934**	**23,355**	**162,074**	**797,102**
As at 31 December 2024					
Cost	308,320	1,899,632	127,646	162,074	2,497,672
Accumulated depreciation and impairment losses	(246,581)	(1,349,698)	(104,291)	-	(1,700,570)
Net book value	**61,739**	**549,934**	**23,355**	**162,074**	**797,102**

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 of the Company mainly relates to construction of mobile network devices and equipment of EUR 29,638 thousand (31 December 2023: EUR 30,485 thousand), and construction of core, transmission and IP network of EUR 104,299 thousand (31 December 2023: EUR 83,584 thousand). The remaining amount relates to other assets in the amount of EUR 28,137 thousand (31 December 2023: EUR 27,556 thousand).

Assets under construction of the Group mainly relates to construction of mobile network devices and equipment of EUR 30,532 thousand (31 December 2023: EUR 31,350 thousand), and construction of core, transmission and IP network of EUR 111,315 thousand (31 December 2023: EUR 90,436 thousand). The remaining amount relates to other assets in the amount of EUR 29,002 thousand (31 December 2023: EUR 29,102 thousand).

Impairment loss

In 2024, the Group recognized an impairment loss on property, plant and equipment of EUR 1,945 thousand (31 December 2023: EUR 754 thousand), the Company EUR 1,945 thousand (31 December 2023: EUR 628 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 48,274 thousand (31 December 2023: EUR 93,851 thousand) for the Group and the gross amount of EUR 36,209 thousand (31 December 2023: EUR 54,237 thousand) for the Company.

The gain from the sale is EUR 4,496 thousand (31 December 2023: EUR 638 thousand) for the Group and EUR 4,488 thousand (31 December 2023: EUR 590 thousand) for the Company, the loss on the disposal is EUR 319 thousand (31 December 2023: EUR 329 thousand) for the Group and EUR 219 thousand (31 December 2023: EUR 256 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 2024 is EUR 78,316 thousand (31 December 2023: EUR 82,458 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 31 years.

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

EUR thousand	Land	Buildings	Equipment	Other	Total
As at 1 January 2023					
Cost	98,910	58,770	10,628	16,694	185,002
Accumulated depreciation and impairment losses	(74,346)	(21,335)	(4,889)	(10,738)	(111,308)
Net book value	**24,564**	**37,435**	**5,739**	**5,956**	**73,694**
Year ended 31 December 2023					
Opening net book value	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	(31,083)	(6,429)	(1,418)	(4,436)	(43,366)
Net book value	**27,136**	**32,962**	**4,479**	**7,769**	**72,346**
As at 31 December 2023					
Cost	108,128	52,747	10,017	15,219	186,111
Accumulated depreciation and impairment losses	(80,992)	(19,785)	(5,538)	(7,450)	(113,765)
Net book value	**27,136**	**32,962**	**4,479**	**7,769**	**72,346**
Year ended 31 December 2024					
Opening net book value	27,136	32,962	4,479	7,769	72,346
Additions	37,565	8,518	2,419	10,577	59,079
Terminations / modifications	448	(983)	(1,306)	(393)	(2,234)
Depreciation charge	(33,007)	(6,644)	(2,324)	(5,853)	(47,828)
Net book value	**32,142**	**33,853**	**3,268**	**12,100**	**81,363**
As at 31 December 2024					
Cost	132,490	57,251	6,953	22,648	219,342
Accumulated depreciation and impairment losses	(100,348)	(23,398)	(3,685)	(10,548)	(137,979)
Net book value	**32,142**	**33,853**	**3,268**	**12,100**	**81,363**

The Group recognised lease liabilities as follows:

EUR thousand	31 December 2024	31 December 2023
Short-term lease liabilities	21,157	16,038
Long-term lease liabilities	55,408	50,930
Total lease liabilities	**76,565**	**66,968**

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

Company

EUR thousand	Land	Buildings	Equipment	Other	Total
As at 1 January 2023					
Cost	88,622	51,719	6,150	14,393	160,884
Accumulated depreciation and impairment losses	(65,369)	(17,093)	(2,987)	(9,714)	(95,163)
Net book value	**23,253**	**34,626**	**3,163**	**4,679**	**65,721**
Year ended 31 December 2023					
Opening net book value	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	(28,801)	(5,268)	(818)	(4,339)	(39,226)
Net book value	**23,317**	**30,846**	**2,120**	**7,332**	**63,615**
As at 31 December 2023					
Cost	93,072	46,091	5,191	13,862	158,216
Accumulated depreciation and impairment losses	(69,755)	(15,245)	(3,071)	(6,530)	(94,601)
Net book value	**23,317**	**30,846**	**2,120**	**7,332**	**63,615**
Year ended 31 December 2024					
Opening net book value	23,317	30,846	2,120	7,332	63,615
Additions	36,384	5,471	1,048	10,388	53,291
Iskon Internet d.d. merger	0	329	161		490
Terminations / modifications	(374)	(643)	(292)	(101)	(1,410)
Depreciation charge	(31,705)	(5,338)	(541)	(5,846)	(43,430)
Net book value	**27,622**	**30,665**	**2,496**	**11,773**	**72,556**
As at 31 December 2024					
Cost	115,152	50,173	4,074	22,291	191,690
Accumulated depreciation and impairment losses	(87,530)	(19,508)	(1,578)	(10,518)	(119,134)
Net book value	**27,622**	**30,665**	**2,496**	**11,773**	**72,556**

The Company recognized lease liabilities as follows:

EUR thousand	31 December 2024	31 December 2023
Short-term lease liabilities	18,917	13,918
Long-term lease liabilities	49,782	44,802
Total lease liabilities	**68,699**	**58,720**

The obligation is reduced according to discounted payments. Interest is higher at the beginning of the lease and lower at the end of the contract term. Payments can be monthly, one-time, annual, or quarterly, which also affects the relationship between liabilities and assets on a specific date.

The movement of lease liabilities is disclosed in Note 41.

Interest expense included in finance costs of 2024 was EUR 5,325 thousand (2023: EUR 4,457 thousand) for the Group and EUR 4,571 thousand (2023: EUR 3,752 thousand) for the Company.

Total cash outflow for leases in 2024 for the Group was EUR 47,198 thousand plus interest expense EUR 5,325 thousand (2023: EUR 45,568 thousand plus interest expense EUR 4,457 thousand).

Total cash outflow for leases in 2024 for the Company was EUR 42,716 thousand plus interest expense EUR 4,571 thousand (2023: EUR 40,556 thousand plus interest expense EUR 3,752 thousand).

Expenses relating to short-term leases in 2024 was EUR 3,396 thousand (2023: EUR 2,023 thousand) for the Group and EUR 2,778 thousand (2023: 1,697 thousand) for the Company (Note 10).

18 Investments in subsidiaries

	EUR thousand
As at 1 January 2023	212,098
Iskon Internet d.d. transfer from HT holding d.o.o.	(46,349)
Iskon Internet d.d. transfer to HT d.d.	46,349
HT Services Ltd.	2
Year ended 31 December 2023	212,100
As at 1 January 2024	212,100
Iskon Internet d.d. merger	(46,349)
HT Services Ltd.	714
Year ended 31 December 2024	166,465

The initial investment in Iskon Internet d.d. was in HT holding and due to merger of Iskon Internet d.d. on 2 January 2024, investment in Iskon Internet d.d. was transferred from HT holding to HT in 2023 (Note 3).

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	78.10%

19 Financial asset at amortised cost

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

20 Inventories

	Group		Company	
EUR thousand	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Inventories and spare parts	10,373	7,399	10,348	7,374
Merchandise	34,110	26,427	22,672	17,594
Total	44,483	33,826	33,020	24,968

21 Asset classified as held for sale

	Group		Company	
EUR thousand	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Asset classified as held for sale	31,561	31,561	31,700	31,700
Total	31,561	31,561	31,700	31,700

Assets classified as held for sale refer 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 2024, 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. Certain events and circumstances beyond the Company's control extended the period for completion of the sale for a longer period of time of one year. However, the Company is proceeding with an initial plan to sell assets.

Estimated net book value of JP HT d.d. Mostar as at 31 December 2024 is EUR 171,395 thousand (financial information for 2024 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).

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

Summarised statement of financial position:	31 December 2024 EUR thousand	31 December 2023 EUR thousand
Joint venture JP HT d.d. Mostar:	Estimated	Actual
Current assets		
Cash and cash equivalents	17,654	14,952
Other current assets	43,488	49,391
Total current assets	**61,142**	**64,343**
Financial liabilities	2,483	88
Other current liabilities	29,991	31,438
Total current liabilities	**32,474**	**31,526**
Non-current assets	**153,322**	**147,019**
Financial liabilities	9,611	701
Other liabilities	983	8,001
Total non-current liabilities	**10,594**	**8,702**
Net assets	**171,396**	**171,134**

Summarised statement of comprehensive income:	31 December 2024 EUR thousand	31 December 2023 EUR thousand
Joint venture JP HT d.d. Mostar:	Estimated	Actual
Revenue	108,469	106,615
Depreciation and amortisation	(27,549)	(26,975)
Interest income	545	287
Interest expense	(423)	(786)
Pre-tax (loss)/profit	356	561
Income tax expense	(96)	(28)
Net income	**260**	**534**
Dividends received	-	-

22 Trade and other receivables

	Group		Company	
EUR thousand	**31 December 2024**	**31 December 2023**	**31 December 2024**	**31 December 2023**
Trade receivables	39,985	31,832	35,837	28,557
Loans to employees	6,177	6,167	2,326	1,992
Other receivables	690	1,102	424	314
Non-current financial instruments	46,852	39,101	38,587	30,863
Trade receivables	237,640	219,870	189,306	167,817
Loans to employees	2,543	3,671	2,245	1,662
Other receivables	9,061	23,697	6,210	24,460
Current trade and other receivables	249,244	247,238	197,761	193,939
Total	**296,096**	**286,339**	**236,348**	**224,802**

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.

The aging analysis of current trade receivables and current and non-current contract assets as of 31 December 2024 is as follows:

Group

EUR thousand	**Total**	**Current**	**31–60 days**	**61–90 days**	**91–180 days**	**>180 days**
31 December 2024						
Expected credit loss rate		2.08%	7.49%	11.16%	22.15%	76.00%
Gross carrying amount - trade receivables	**346,294**	232,101	6,278	2,619	3,119	102,177
Loss allowance	**(108,654)**	(6,345)	(522)	(248)	(1,524)	(100,015)
Net amount – trade receivables	**237,640**	225,756	5,756	2,371	1,595	2,162
Gross carrying amount - contract assets	**52,818**	52,818	-	-	-	-
Loss allowance	**(3,395)**	(3,395)	-	-	-	-
Net amount – contract assets	**49,423**	49,423	-	-	-	-

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

Group

EUR thousand	**Total**	**Current**	**31–60 days**	**61–90 days**	**91–180 days**	**>180 days**
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	2,223
Gross carrying amount - contract assets	**44,263**	44,263	-	-	-	-
Loss allowance	**(2,945)**	(2,945)	-	-	-	-
Net amount – contract assets	**41,318**	41,318	-	-	-	-

22 Trade and other receivables (continued)

The aging analysis of current trade receivables and current and non-current contract assets is as of 31 December 2024 is as follows:

Company

EUR thousand	Total	Current	31–60 days	61–90 days	91–180 days	>180 days
31 December 2024						
Expected loss rate		1.45%	4.15%	4.15%	24.13%	82.05%
Gross carrying amount - trade receivables	**269,916**	187,624	4,960	1,905	2,553	72,874
Loss allowance	**(80,610)**	(5,906)	(446)	(169)	(1,367)	(72,722)
Net amount – trade receivables	**189,306**	181,718	4,514	1,736	1,186	152
Gross carrying amount - contract assets	**51,408**	51,408	-	-	-	-
Loss allowance	**(3,344)**	(3,344)	-	-	-	-
Net amount – contract assets	**48,064**	48,064	-	-	-	-

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

Company

EUR thousand	Total	Current	31–60 days	61–90 days	91–180 days	>180 days
31 December 2023						
Expected loss rate		0.24%	8.45%	8.45%	34.80%	87.59%
Gross carrying amount - trade receivables	**247,998**	170,625	2,641	661	2,148	71,923
Loss allowance	**(80,181)**	(5,958)	(435)	(170)	(2,062)	(71,556)
Net amount – trade receivables	**167,817**	164,667	2,206	491	86	367
Gross carrying amount - contract assets	**42,882**	42,882	-	-	-	-
Loss allowance	**(2,893)**	(2,893)	-	-	-	-
Net amount – contract assets	**39,989**	39,989	-	-	-	-

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 2024	**2,945**	**112,721**	**2,893**	**80,181**
Iskon Internet d.d. merger	-	-	-	5,322
Credit loss allowance in current period	716	4,580	716	3,489
Financial assets derecognised during the period	-	(994)	-	(991)
Total credit loss allowance charge in profit and loss for the period	716	3,586	716	2,498
Write-offs	(266)	(7,653)	(265)	(7,391)
As at 31 December 2024	**3,395**	**108,654**	**3,344**	**80,610**

	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**

23 Assets and liabilities arising from contracts with customers, and contract costs

The Group and the Company have recognized following assets and liabilities related to contracts with customers:

	Group		Company	
EUR thousand	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Current contract asset resulting from				
Equipment and service sales	41,627	35,191	40,586	34,161
Value adjustment	(2,389)	(2,205)	(2,338)	(2,155)
Total current contract asset	**39,238**	**32,986**	**38,248**	**32,006**
Non-current contract asset resulting from				
Equipment and service sales	11,190	9,070	10,821	8,721
Value adjustment	(1,005)	(738)	(1,005)	(738)
Total non-current contract asset	**10,185**	**8,332**	**9,816**	**7,983**
Current capitalized contract cost resulting from				
Cost to obtain a contract	11,811	9,376	11,378	7,364
Cost to fulfil a contract	1,847	3,274	582	640
Total current capitalized contract cost	**13,658**	**12,650**	**11,960**	**8,004**
Non-current capitalized contract cost resulting from				
Cost to obtain a contract	34,583	28,659	34,201	23,321
Cost to fulfil a contract	2	232	2	152
Total non-current capitalized contract cost	**34,585**	**28,891**	**34,203**	**23,473**
Current contract liabilities	16,585	12,085	7,735	6,646
Total current contract liabilities	**16,585**	**12,085**	**7,735**	**6,646**

Increase of contract asset compared to previous year is primarily result of promotional activities in fixed network where customers obtained significant service discounts in first part of the contract duration period.

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

At 31 December 2024 the Group recognised EUR 8,411 thousand (31 December 2023: EUR 7,060 thousand) of revenue that was included in the contract liability balance at the beginning of the period.

At 31 December 2024 the Company recognized EUR 5,981 thousand of revenue that was included in the contract liability balance at the beginning of the period (2023: EUR 4,451 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	2024	2023	2024	2023
Sale of services	(17,071)	(21,458)	(16,989)	(21,346)
Total Residential Customers	**9,213**	**3,268**	**9,173**	**3,287**
Sale of goods	21,360	25,949	20,140	24,631
Sale of services	(22,476)	(23,455)	(21,242)	(22,355)
Total Business Customers	**(1,116)**	**2,494**	**(1,102)**	**2,276**

Through our accounts and reporting we distinguish the following:

- Revenues invoiced to customers from our billing systems; and
- 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 2024	31 December 2023	31 December 2024	31 December 2023
Aggregate amount of the transaction price allocated to long term contracts with customers that are unsatisfied	233,383	176,437	215,603	157,896

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2024

23 Assets and liabilities arising from contracts with customers, and contract costs (continued)

For the Group, Management expects that 76% (EUR 177,371 thousand) of the transaction price allocated to unsatisfied contracts as at 31 December 2024 will be recognized as revenue during the next reporting period (31 December 2023: 76%, EUR 134,758 thousand). The remaining 24% (EUR 56,012 thousand) will be recognized in the next 1.5 years (31 December 2023: 24%, EUR 41,679 thousand).

For the Company, Management expects that 76% (EUR 163,858 thousand) of the transaction price allocated to unsatisfied contracts as at 31 December 2024 will be recognized as revenue during the next reporting period (31 December 2023: 77%, EUR 121,829 thousand). The remaining 24% (EUR 51,745 thousand) will be recognized in the next 1.5 years (31 December 2023: 23%, EUR 36,067 thousand).

24 Prepayments

Non-current prepayments	Group		Company	
EUR thousand	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Advances towards third parties	17,168	28,155	16,433	24,629
Total	17,168	28,155	16,433	24,629

Non-current prepayments in the amount of EUR 17,168 thousand for the Group and EUR 16,433 thousand for the Company consist of advances for sports content rights secured by bank guarantees.

Current prepayments	Group		Company	
EUR thousand	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Advances towards third parties	12,666	7,076	10,709	4,387
Prepaid liabilities for concession fees towards regulator	2,848	3,775	2,848	3,775
Total	15,514	10,851	13,557	8,162

25 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 2024	31 December 2023	31 December 2024	31 December 2023
Cash on hand and balances with banks	30,031	51,248	13,813	31,912
Commercial papers (i)	114,718	109,572	114,718	109,572
Time deposits with maturity less than 3 months (ii)	84,657	72,258	40,615	49,358
Allocated funds at the clearing house	252	-	-	-
Total	229,658	233,078	169,146	190,842

(i) Refers to four (4) commercial papers of the issuer Deutsche Telekom, with maturity under 3 months and with average interest rate of 2.95%.

(ii) 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. At the Group level, in 2024 interest rates on deposits ranged from 2.55% to 3.85%.

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 2024	31 December 2023	31 December 2024	31 December 2023
EUR	225,466	230,845	167,711	190,145
GBP	283	149	281	79
USD	1,315	643	1,154	618
BAM	2,410	1,382	-	-
RSD	184	59	-	-
Total	229,658	233,078	169,146	190,842

25 Cash and cash equivalents and bank deposits (continued)

c) Bank deposits over 3 months

Group

EUR thousand	Current 31 December 2024	31 December 2023
Foreign bank (bank deposits)	-	10,000
Total	-	10,000

On 31 December 2024 and 31 December 2023, the Company did not have any bank deposits.

26 Trade payables and other liabilities

EUR thousand	Group 31 December 2024	Group 31 December 2023	Company 31 December 2024	Company 31 December 2023
Licence for radio frequency spectrum	23,013	7,197	21,990	5,919
Content contracts	174	1,694	174	993
Other	402	568	402	426
Non-current	23,589	9,459	22,566	7,338
Trade payables	192,287	180,451	152,098	145,025
Content contracts	22,785	20,566	20,620	15,506
VAT and other taxes payable	2,263	7,034	344	4,735
Payroll and payroll taxes	12,767	9,027	10,190	7,474
Other	7,384	8,483	5,206	6,399
Current	237,486	225,842	188,458	179,139
Total	261,075	235,301	211,024	186,477

The most significant changes of Trade payables and other liabilities compared to 2023, refer to the increase in obligations related to licenses for the radio frequency spectrum.

27 Deferred income

Deferred revenue refers to revenue that relates to a future period and amounts to EUR 12,105 thousand (31 December 2023: EUR 7,647 thousand) for the Group, and EUR 12,122 thousand (31 December 2023: EUR 7,645 thousand) for the Company.

28 Employee benefit obligations

In addition to retirement and jubilee benefits, employee benefits include compensations for the employees regarding Incentive plans such as LTI (Long Term Incentive) and Game Changer described in Note 43. Other short-term liabilities to employees are disclosed and described in Note 30.

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

EUR thousand	Group 2024	Group 2023	Company 2024	Company 2023
As at 1 January	5,207	3,863	4,603	3,433
Incentive plan changes	2,710	2,669	2,476	2,579
Incentive plan paid	(2,433)	(1,414)	(2,433)	(1,414)
Incentive plan transfer to other liabilities	(709)	(22)	(765)	(9)
Service costs	186	210	106	106
Interest cost	5	5	5	5
Benefit paid	(102)	(66)	(47)	(59)
Transfer of benefits	(91)	-	-	-
Actuarial gains	(51)	(38)	(51)	(38)
As at 31 December	4.722	5,207	3,894	4,603
Retirement	513	250	247	234
Jubilee awards	192	424	-	-
Incentive plans	4,017	4,533	3,647	4,369
Total	4,722	5,207	3,894	4,603
Retirement	513	250	247	234
Jubilee awards – non-current	123	394	-	-
Incentive plans– non-current	2,781	2,257	2,416	2,097
Non-current	3,417	2,901	2,663	2,331
Jubilee awards – current	69	30	-	-
Incentive plans – current	1,236	2,276	1,231	2,272
Current	1,305	2,306	1,231	2,272
Total	4,722	5,207	3,894	4,603

28 Employee benefit obligations (continued)

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

	Group		Company	
EUR thousand	2024	2023	2024	2023
Discount rate (annually) in %	3.0	3.0	3.0	3.0

29 Provisions

Group

EUR thousand	Legal claims	Assets retirement obligation	Total
As at 1 January 2023	11,874	4,854	16,728
Additions (Note 10)	1,753	-	1,753
Utilisation	(362)	-	(362)
Net changes (Note 10)	(4,655)	(4)	(4,659)
Interest costs	-	299	299
As at 1 January 2024	8,610	5,149	13,759
Additions (Note 10)	12,154	-	12,154
Utilisation	(7,249)	-	(7,249)
Reversals (Note 10)	(4,932)	(18)	(4,950)
Interest costs	-	309	309
As at 31 December 2024	8,583	5,440	14,023

Company

EUR thousand	Legal claims	Assets retirement obligation	Total
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 1 January 2024	8,228	4,682	12,910
Additions	12,142	-	12,142
Utilisation	(7,237)	-	(7,237)
Reversals	(4,567)	(18)	(4,585)
Interest costs	-	260	260
As at 31 December 2024	8,566	4,924	13,490

Legal claims

As at 31 December 2024, 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.

A significant increase in provisions is noticeable compared to 2023, given that in 2023 the provision for one suspended regulatory misdemeanor proceeding was reversed, and in 2024 two lost regulatory misdemeanor proceedings were recognized. All regulatory misdemeanor proceedings were initiated in court by HAKOM.

30 Accruals

Group

EUR thousand	Variable salary	Redundancy	Unused vacation	Total
As at 1 January 2023	9,096	3,514	1,477	14,087
Additions	17,082	8,181	18	25,281
Utilisation	(15,629)	(7,150)	-	(22,779)
Reversal	-	-	(140)	(140)
As at 1 January 2024	10,549	4,545	1,355	16,449
Additions	22,650	6,440	668	29,758
Utilisation	(11,181)	(9,027)	-	(20,208)
Reversal	(134)	-	(103)	(237)
Other changes	(5,842)	-	-	(5,842)
As at 31 December 2024	16,042	1,958	1,920	19,920

Company

EUR thousand	Variable salary	Redundancy	Unused vacation	Total
As at 1 January 2023	7,530	3,515	770	11,815
Additions	14,125	7,616	-	21,741
Utilisation	(13,068)	(6,634)	-	(19,702)
Reversal	-	-	(97)	(97)
As at 1 January 2024	8,587	4,497	673	13,757
Iskon merger	379	-	29	408
Additions	18,094	4,654	250	22,998
Utilisation	(8,905)	(8,131)	-	(17,036)
Reversal	(134)	-	-	(134)
Other changes	(5,842)	-	-	(5,842)
As at 31 December 2024	12,179	1,020	952	14,151

Redundancy

Redundancy expenses and accruals include the amount of gross severance payments and other related costs for employees whose employment contracts are terminated during 2024.

31 Issued share capital

As of 31 December 2024, the share capital of the Group and of the Company totalled EUR 1,359,742 thousand (31 December 2023: EUR 1,359,742 thousand). The share capital is divided into 78,000,000 no par value registered shares (31 December 2023: 78,775,842).

32 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.

33 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.

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 Group's and Company's energy consumption.

As of December 31, 2024, the fair value of the liability is EUR 8,584 thousand (31 December 2023: 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.

Overview of FV Sensitivities of the Hedging Instrument

		Price of electricity	
Valuation date 31.12.2024	Base Case	Price +10 %	Price -10%
Fair Value (thousand EUR)	(8,584)	(4,954)	(12,221)

		Price of electricity	
Valuation date 31.12.2023	Base Case	Price +10 %	Price -10%
Fair Value (thousand EUR)	(172)	4,285	(4,631)

34 Treasury shares

In 2017, the Company started with acquisition of own shares due to introduction of share buy-back program which lasted until 20 April 2021. 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. A total of 2,917,894 shares have been purchased under the new Program so far. In 2024, a total of 803,360 shares were bought while 775,842 shares were cancelled in the same year.

The Company holds 812,363 own shares as at 31 December 2024 (31 December 2023: 811,054).

In 2024 Crnogorski Telekom has also carried out purchase of own shares. Total of 650,577 shares were bought in 2023 while 703,920 shares were cancelled in the same year.

Reserve for purchased own shares of Company amounts to EUR 28,579 thousand as of 31 December 2024 (31 December 2023: EUR 21,226 thousand) and is not distributable. Crnogorski Telekom does not create reserve for purchased own shares.

35 Retained earnings

In 2024, General Assembly of the Company has brought the decision regarding the dividend pay-out. Under that decision, EUR 119,210 thousand (2023: EUR 86,464 thousand) or EUR 1.53 per share were paid out to shareholders (2023: EUR 1.10). In 2024 dividend was distributed from net profit in 2023.

36 Commitments

Capital commitments

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

	Group		Company	
EUR thousand	**31 December 2024**	**31 December 2023**	**31 December 2024**	**31 December 2023**
Intangible assets	56,293	85,195	54,012	83,262
Property, plant and equipment	200,310	102,248	199,003	100,980
Total	256,603	187,443	253,015	184,242

Future payments regarding short-term leases are EUR 3,396 thousand (31 December 2023: EUR 2,023 thousand) for the Group and EUR 2,778 thousand (31 December 2023: EUR 1,697 thousand) for the Company (Note 10).

Off-balance sheet bank guarantees amount to EUR 10,146 thousand (31 December 2023: EUR 11,012 thousand) for the Company and EUR 13,085 thousand (31 December 2023: EUR 17,095 thousand) for the Group at 31 December 2024.

37 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 29).

The Group vigorously defends all of its legal claims and potential claims, including regulatory matters 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 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 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. A decision on costs was left for a later judgment. The Group appealed against this judgment.

In August 2015 the second instance County Court of Varaždin accepted 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 2023 the Croatian Regulatory Authority for Network Industries (HAKOM) initiated two 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 Court proceedings were legally finalized in 2024 by declaring HT guilty of breaching regulatory obligations, and according to which judgments HT paid a total of EUR 6.150 thousand.

In January 2025 HT received from the Municipal Misdemeanour Court in Zagreb a first-instance judgment acquitting HT of the accusation of committing a regulatory misdemeanour. It follows from the judgment that this misdemeanour procedure was initiated by Croatian Regulatory Authority for Network Industries (HAKOM), which submitted to the Court in 2024 an indictment proposal against HT in connection with possible breach of regulatory obligation. Given that the Court, during the examination of the indictment, determined that the offense as charged was not a misdemenaour, it immediately, without previously delivering the indictment itself to HT, issued a judgment acquitting HT. Against this first-instance judgment HAKOM submitted an appeal, which will be decided by the High Misdemeanour Court.

38 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 2024 and 2023.

The main transactions with related parties during 2024 and 2023 were as follows:

EUR thousand	Group				Company			
	2024	2023	2024	2023	2024	2023	2024	2023
Related party:	Revenue		Expense		Revenue		Expense	
Ultimate parent								
Deutsche Telekom	1,057	1,240	7,600	7,030	1,050	1,112	6,860	6,300
Joint venture								
JP HT d.d. Mostar	2,812	5,612	281	1,545	707	765	281	305
Subsidiaries of ultimate parent								
Telekom Deutschland	19,246	14,998	18,024	16,452	11,448	11,416	10,281	11,351
T-Mobile Austria	2,439	2,494	1,745	1,678	2,427	2,489	1,739	1,673
Slovak Telecom	1,349	1,434	123	134	1,140	1,304	123	134
Magyar Telekom	1,584	1,874	505	393	1,505	1,568	482	306
Deutsche Telekom Cloud Services	983	1,076	-	-	895	884	-	-
T-Mobile Czech	1,426	1,785	216	165	1,421	1,782	216	165
Deutsche Telekom UK Limited	2,032	1,274	108	156	2,029	1,272	108	156
T-Mobile Polska	856	812	463	410	836	806	454	403
T-Mobile USA, Inc.	294	244	8	12	242	193	1	2
DT Europe Holding	-	-	1,966	180	-	-	1,805	143
T-Systems International	239	620	744	929	226	620	642	810
Deutsche Telekom IT GmbH	203	-	3,720	4,108	203	-	3,720	4,108
Makedonski Telekom	378	285	14	13	29	39	14	13
Hellenic Telecommunications Organization	103	-	152	57	99	-	148	48
Deutsche Telekom Services Europe SE	-	-	1,186	657	-	-	1,182	646
Others	181	202	392	393	180	184	378	390
Total	35,182	33,950	37,247	34,312	24,437	24,434	28,434	26,953

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

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

EUR thousand	Group			
	2024	2023	2024	2023
Related party:	Receivables		Payables	
Ultimate parent				
Deutsche Telekom	-	-	4,028	5,380
Joint venture				
Joint venture				
Subsidiaries of ultimate parent	533	1,674	-	-
Deutsche Telekom IT GmbH	-	-	2,677	4,917
Deutsche Telekom Cloud Services	958	238	-	-
Makedonski Telekom	601	443	-	-
Magyar Telekom.	-	307	276	212
Telekom Deutschland	297	7	3,856	7,209
T-Systems International	-	-	1,015	226
Deutsche Telekom Business Solutions GmbH	-	-	725	293
Deutsche Telekom UK Limited	-	-	1,134	634
Deutsche Telekom Services Europe SE	-	-	283	51
Hellenic Telecommunications Organization S.A. (OTE)	-	-	270	121
Deutsche Telekom Digital Labs Private Limited	-	-	231	164
T-Mobile Austria GmbH	-	-	223	151
Slovak Telecom	105	179	-	-
Cosmote	37	43	-	-
Others	33	17	341	228
Total	2,564	2,908	15,059	19,586

38 Balances and transactions with related parties (continued)

Company

EUR thousand	Company			
	2024	2023	2024	2023
Related party:	Receivables		Payables	
Ultimate parent				
Deutsche Telekom	-	-	3,336	4,560
Joint venture				
JP HT d.d. Mostar	86	85	-	-
Subsidiaries of ultimate parent				
Telekom Deutschland	-	-	3,856	7,055
Deutsche Telekom IT GmbH	-	-	2,677	4,917
Makedonski Telekom	55	46	-	-
Deutsche Telekom Cloud Services	651	74	-	-
T-Mobile Polska	-	-	82	40
Magyar Telekom Telecommunications Plc	-	93	121	-
Deutsche Telekom UK Limited	-	-	1,131	630
Slovak Telecom	23	179	-	-
T-Systems International	-	-	568	68
Deutsche Telekom Business Solutions GmbH	-	-	-	293
Deutsche Telekom Europe Holding GmbH	-	-	562	-
Deutsche Telekom Services Europe SE	-	-	269	34
Hellenic Telecommunications Organization S.A. (OTE)	-	-	249	100
Deutsche Telekom Digital Labs Private Limited	-	-	231	164
T-Mobile Austria GmbH	-	-	223	151
Others	22	9	225	140
Total	837	486	13,530	18,152

At the year end the Group and the Company hold investment in commercial paper of ultimate parent in the amount of EUR 114,718 thousand (31 December 2023: EUR 109,572 thousand) (Note 25).

The Federal Republic of Germany is both a direct and an indirect shareholder and holds 27.8 % 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 2024 or 2023 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 2024, the Company granted short term loans to Combis d.o.o. in amount of EUR 26,500 thousand and HT Services Ltd in amount of EUR 10,800 thousand (31 December 2023: EUR 27,000 thousand to Combis d.o.o.).

Interest rate for given loans amounts to Combis is 4.8% and to HT Services Ltd. is 5.54%.

The Company had the following transactions and balances with its subsidiaries excluding loans in the amount of EUR 0 thousand (31 December 2023: EUR 3,010 thousand):

Revenues	Revenues	Capital expenditures	Expenses	Receivables	Payables
Subsidiaries:	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
2024 / 31 December 2024	9,337	35,059	14,956	1,069	11,285
2023 / 31 December 2023	20,893	15,807	6,424	30,191	8,680

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 Group and 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 Group and of the Company in the preceding month is paid, while any other member receives the amount of one average net salary of the employees of the Group and 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 Group and 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 Group's and 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 Group's and 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 2024, the Group paid a total amount of EUR 137 thousand (2023: EUR 129 thousand) to the members of its Supervisory Board and the Company paid a total amount of EUR 114 thousand (2023: EUR 108 thousand) to the members of its Supervisory Board. No loans were granted to the members of the Supervisory Board.

38 Balances and transactions with related parties (continued)

Compensation to key management personnel

In 2024, the total compensation paid to key management personnel of the Group amounted to EUR 8,007 thousand (2023: EUR 7,725 thousand) and to key management personnel of the Company amounted to EUR 6,275 thousand (2023: EUR 6,019 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	**2024**	**2023**	**2024**	**2023**
Short-term benefits	8,007	7,725	6,275	6,019
Total	**8,007**	**7,725**	**6,275**	**6,019**

In 2024, the total cost of pension contribution of the Group is EUR 910 thousand (2023: EUR 800 thousand) and of the Company is EUR 590 thousand (2023: EUR 557 thousand).

39 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 are 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 do 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 for obligations of other parties.

The Group and Company consider that its maximum exposure is reflected by the value of debtors 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 22). 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 2.2.1.

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 2024, the Group had business transactions with twenty-nine banks (2023: thirty-two banks) while Company had business with eight banks (2023: eight banks). The Group held cash and deposits in three banks almost exclusively.

39 Financial risk management objectives and policies (continued)

a) Credit risk (continued)

For one domestic bank with foreign ownership, the Group received guarantee for deposits placed from parent bank which has a minimum rating of BBB+ and acceptable Credit Default Swap level ("CDS"). The management of this risk is focused on dealing with the most reputable banks in foreign and domestic ownership in the domestic and foreign markets and on contacts with the banks on a daily basis.

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

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

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

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

The Group and Company have identified the GDP and the unemployment rate in the country in which it sells its goods and services to be the most relevant factors, and accordingly adjust 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 as a parameter for risk measurement. 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. 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 2024 amounted to 0.83% (31 December 2023: 0.85%).

Credit risk amount calculated using the formula: deposit amount * number of days * 0.83% / 365. For a vista deposits the Group and Company use 2 days.

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

	Group		Company	
	31 December 2024 EUR thousand	31 December 2023 EUR thousand	31 December 2024 EUR thousand	31 December 2023 EUR thousand
Trade receivables for merchandise sold	39,985	31,832	35,837	28,557
Loans to employees	6,177	6,167	2,326	1,992
Other receivables	690	1,102	424	314
Total	**46,852**	**39,101**	**38,587**	**30,863**

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

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

39 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 2024

EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total	Book value
Trade and other payables	190,923	-	-	-	**190,923**	**190,923**
Licence for radio frequency spectrum	-	2,934	14,673	17,606	**35,213**	**24,084**
Capitalized content rights	11,363	11,665	3,318	635	**26,981**	**22,960**
Other liabilities	22,946	-	-	-	**22,946**	**22,946**
Lease liabilities	7,599	15,590	40,180	22,481	**85,850**	**76,565**

31 December 2024

EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total	Book value
Trade and other payables	184,259	-	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**

Group – Financial assets

31 December 2024

EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total
Financial assets at fair value through other comprehensive income	-	-	281	-	**281**
Trade receivables (Note 22)	233,884	3,757	39,985	-	**277,626**

31 December 2023

EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total
Financial assets at fair value through other comprehensive income	-	-	910	-	**910**
Trade receivables (Note 22)	216,649	3,220	31,833	-	**251,702**
Financial assets at amortized cost	-	19,404	-	-	**19,404**

Company – Financial liabilities

31 December 2024

EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total	Book value
Trade and other payables	152,582	-	-	-	**152,582**	**152,582**
Licence for radio frequency spectrum	-	2,809	14,049	16,859	**33,717**	**23,061**
Capitalized content rights	10,905	10,290	1,421		**22,616**	**20,795**
Other liabilities	16,062	-	-	-	**16,062**	**16,062**
Lease liabilities	7,347	14,924	38,283	21,835	**82,389**	**68,699**

31 December 2023

EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total	Book value
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**

39 Financial risk management objectives and policies (continued)

b) Liquidity risk (continued)

Company – Financial assets

31 December 2024 EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total
Financial assets at fair value through other comprehensive income	-	-	281	-	**281**
Trade receivables (Note 22)	187,968	1,338	35,837	-	**225,143**
Loans receivable from subsidiaries (Note 38)	-	-	-	-	-

31 December 2023 EUR thousand	Less than 3 months	3–12 months	1–5 years	>5 years	Total
Financial assets at fair value through other comprehensive income	-	-	835	-	**835**
Trade receivables (Note 22)	167,365	453	28,556	-	**196,374**
Financial asset at amortized cost	-	19,404	-	-	**19,404**
Loans receivable from subsidiaries (Note 38)	-	3,010	-	-	**3,010**

c) Other price risk

As part of the presentation of market risks, IFRS 7 Financial Instruments: Disclosures 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 a derivative to hedge electricity price (Note 33), not for speculative gains. In the process, we monitor the effectiveness of the hedges on a regular basis.

d) Interest rate risk

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

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

e) Foreign currency risk

There is no significant exposure to any other currencies; therefore, 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 40). 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 1,643,839 thousand as at 31 December 2024 (31 December 2023: EUR 1,658,553 thousand).

The capital structure of the Company comprises of issued share capital, reserves and retained earnings and totals EUR 1,620,524 thousand as at 31 December 2024 (31 December 2023: EUR 1,670,870 thousand).

The Group and Company manage its capital structure and make 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 2024 and 31 December 2023 (Notes 31 and 34).
For details about debt structure, please see note 41.

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; 114/22; 136/24), the Company as electronic money institution and payment institution is obliged to report regulatory capital in its annual audited financial statements. These disclosures are not required by IFRS and the law does not require the disclosure of comparative information from previous year.

39 Financial risk management objectives and policies (continued)

g) Capital management (continued)

Regulatory capital for electronic money institutions (unaudited)

REGULATORY CAPITAL FOR ELECTRONIC MONEY INSTITUTIONS - FORM IEN-RK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2024

IEN-RK: Section A - Calculation of Regulatory Capital

EUR

No.	Item	Amount
1.	**REGULATORY CAPITAL**	1,114,683,940
2.	**EQUITY TIER 1 CAPITAL**	1,114,683,940
3.	**COMMON EQUITY TIER 1 CAPITAL**	1,114,683,940
4.	Capital instruments	1,359,742,172
5.	Share premium	0
6.	(-) Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 Capital	-28,579,126
7.	Retained earnings or (-) carry back losses	64,627,623
8.	Losses for the current fiscal year	0
9.	Accumulated other comprehensive income	19,457
10.	Other reserves	59,307,354
11.	(+) / (–) Adjustments to the Common Equity Tier 1 from prudential filters	0
12.	Intangible assets	-321,406,735
13.	(-) Deferred tax assets that rely on future profitability and not arise from temporary differences	0
14.	(-) Pension fund assets under management	0
15.	(-) Reciprocal cross holdings in Common Equity Tier 1	0
16.	(-) Deduction from Common Equity Tier 1 items that exceed Additional Tier 1	0
17.	(-) Holdings of Common Equity Tier 1 instruments where an institution does not have a significant investment in a financial sector entity	0

REGULATORY CAPITAL FOR ELECTRONIC MONEY INSTITUTIONS - FORM IEN-RK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2024

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	-19,026,805
19.	(-) Holdings of Common Equity Tier 1 instruments where an institution has a significant investment in a financial sector entity	0
20.	(-) Deduction over threshold (17.65%)	0
21.	(-) Deduction from Common Equity Tier 1 items - other	0
22.	**ADDITIONAL TIER 1 CAPITAL**	0
23.	Capital instruments	0
24.	Share premium	0
25.	(-) Direct, indirect and synthetic holdings by the institution of Additional Tier 1 Capital	0
26.	(-) Reciprocal cross holdings in Additional Tier 1	0
27.	(-) Holdings of Additional Tier 1 instruments where an institution does not have a significant investment in a financial sector entity	0
28.	(-) Holdings of Additional Tier 1 instruments where an institution has a significant investment in a financial sector entity	0
29.	(-) Deduction from Additional Tier 1 items that exceed Tier 2 Capital	0
30.	Deduction from Additional Tier 1 items that exceed Additional Tier 1 (deducted from Common Equity Tier 1)	0
31.	(-) Deduction from Additional Tier 1 items - other	0
32.	**TIER 2 CAPITAL**	0
33.	Capit al instruments	0
34.	Share premium	0
35.	(-) Direct, indirect and synthetic holdings by the institution of Tier 2 Capital	0
36.	(-) Reciprocal cross holdings in Tier 2	0
37.	(-) Holdings of Tier 2 instruments where an institution does not have a significant investment in a financial sector entity	0
38.	(-) Holdings of Tier 2 instruments where an institution has a significant investment in a financial sector entity	0
39.	Deduction from Tier 2 Capital items that exceed Tier 2 Capital (deducted from Additional Tier 1)	0
40.	(-) Deduction from Tier 2 items - other	0
41.	**Notes**	0
42.	Profit for the year	136,827,114

39 Financial risk management objectives and policies (continued)

g) Capital management (continued)

Regulatory capital for electronic money institutions (unaudited) (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 2024

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

No.	Item	EUR Total amount	EUR Capital available to calculate the amount of regulatory capital	Excess
		1	2	3
1.	Common Equity Tier 1 Capital	1,114,683,940	1,114,683,940	
2.	Additional Tier 1 Capital	0	0	0
3.	Equity Tier 1 Capital	1,114,683,940	1,114,683,940	
4.	Tier 1 Capital	0	0	0
5.	**Regulatory Capital**		1,114,683,940	

Minimum required regulatory capital and requirements coverage (unaudited)

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 2024

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

No.	Calculation	EUR Amount
1.	Average unused electronic money	204.61
2.	Minimum required regulatory capital for electronic money institutions	4.09

REGULATORY CAPITAL FOR PAYMENT INSTITUTIONS - FORM IPP-MRK

Electronic money institution: HRVATSKI TELEKOM d.d.
Personal identification number (OIB): 81793146560
Date: 31 December 2024

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

No.	Item	EUR Amount
1.	Total amount of payment transactions in the previous year	26,781,450
2.	Payment volume	2,231,787
3.	Total amount (4., 5. ,6., 7., 8.)	89,271
4.	4% of payment volume up to the amount of EUR 5 million	89,271
5.	2.5% of payment volume over the amount of EUR 5 million and up to the amount of EUR 10 million	0
6.	1% of payment volume over the amount of EUR 10 million and up to the amount of EUR 100 million	0
7.	0.5% of payment volume over the amount of EUR 100 million and up to the amount of EUR 250 million	0
8.	0.25% of payment volume over the amount of EUR 250 million	0
9.	Factor k	1
10.	**Minimum required regulatory capital for payment institutions**	89,271

39 Financial risk management objectives and policies (continued)

h) Offsetting

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

Group

EUR thousand	Trade receivables 31 December 2024	Trade receivables 31 December 2023	Trade payables 31 December 2024	Trade payables 31 December 2023
Gross recognised amounts	39,712	40,507	49,636	54,238
Offsetting amount	(7,142)	(9,567)	(7,142)	(9,567)
Total	**32,570**	**30,940**	**42,494**	**44,671**

Company

EUR thousand	Trade receivables 31 December 2024	Trade receivables 31 December 2023	Trade payables 31 December 2024	Trade payables 31 December 2023
Gross recognized amounts	7,762	9,039	19,281	21,911
Offsetting amount	(3,497)	(5,319)	(3,497)	(5,319)
Total	**4,265**	**3,720**	**15,784**	**16,592**

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

40 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 2024			31 December 2023		
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	89	-	204	144	-	766
Cash flow hedge derivative	-	-	(8,584)	-	-	(172)

Company

	31 December 2024			31 December 2023		
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	77	-	204	69	-	766
Cash flow hedge derivative	-	-	(8,584)	-	-	(172)

41 Net debt reconciliation

Group

EUR thousand	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
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
Cash flow	(3,420)	(10,000)	41,473	-	47,198	75,251
Reclassification of current portion	-	-	(41,470)	41,470	-	-
Additions - increase in related asset (intangible assets and ROA)	-	-	-	(55,156)	(59,079)	(114,235)
Termination/modification of lease contracts	-	-	-	-	2,234	2,234
Other non-financial movements	-	-	148	(610)	50	(412)
Net debt as at 31 December 2024	229,658	-	(28,170)	(23,187)	(76,565)	101,736

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

41 Net debt reconciliation (continued)

Company

EUR thousand	Cash/bank overdraft	Other fin. liabilities (spectrum and content) within 1 year	Other fin. liabilities (spectrum and content) after 1 year	Lease liabilities	Total
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**
Cash flow	**(21,696)**	**34,596**	**-**	**42,716**	**55,616**
Reclassification of current portion	-	(35,805)	35,805	-	-
Additions	-	-	(50,915)	(53,290)	(104,205)
Merge of Iskon	-	(1,730)	(142)	(490)	(2,362)
Termination/modification of lease contracts	-	-	-	1,411	1,411
Other non-financial movements	-	(1,104)	-	(326)	(1,430)
Net debt as at 31 December 2024	**169,146**	**(19,549)**	**(22,164)**	**(68,699)**	**58,734**

42 Authorization for Services and Applicable Fees

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

a) Service authorization for the performance of electronic communications services

Pursuant to Article 24 of the Law on Electronic Communications (Official Gazette No. 76/2022 and 14/2024) 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 17 October 2024, the Company was designated as the Universal services provider in the Republic of Croatia for a period of three (3) years starting from 1 December 2024 with the obligation to provide following universal services during the mentioned period:

1. Access to an affordable broadband internet service and voice communications service of adequate quality, provided over the operator's own infrastructure, in accordance with the ordinance on Universal Services in Electronic Communications,

2. Installation of public payphones in or near public places, and

3. An offer of affordable tariff options or packages tailored to socially disadvantaged consumers throughout Croatia, provided over the operator's own infrastructure, and encompassing the services specified in point 1.2.a) of this decision.

In addition to HT, A1 and Telemach have also been designated as USO operators for the first time, but only in specific geographical areas. A1 has been assigned 19 areas, while Telemach has been assigned 5 areas.

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,
- 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 and
- licenses for the use of radio frequency spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands with the validity 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.

42 Authorization for Services and Applicable Fees (continued)

c) Fees for providing electronic communications services

Pursuant to the Law on Electronic Communications, the Company is obliged to pay the fees for the use of addresses and numbers, radio frequency spectrum and for the performance of other tasks of HAKOM pursuant to the ordinances of HAKOM and Ministry of the sea, transport and infrastructure. The said regulations prescribe the calculation and the amount of fees. These fees are paid for the current year or one year in advance (in case of fees for usage of radio frequency spectrum).

In 2024, 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),

- 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, 114/22/ 123/24), 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, 114/22), the Company is obliged to pay the fee of 0.5% of the annual gross revenues realized from the provisioning of audiovisual media services on demand and the electronic publication services.

e) Electronic communications infrastructure and associated facilities (ECI)

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

Pursuant to Electronic Communications Act, the right of way fee is paid to owners and managers of the property (Republic of Croatia, local and regional municipalities, other legal and natural persons) on which ECI of the Company is laid. The unit RoW fees are defined in the amount prescribed by the HAKOM's Ordinance on Right of Way Certificate and Payment of Fees for Right of Way (further: Ordinance on RoW) in the range of 0.4 – 1.33 EUR/m2/y depending on the property type.

In accordance with the Roads Act, the fee for servitude on a public road is paid to the managers of public roads. The unit fees are defined by the Government's Decision on the amount of fee for the establishment of servitude and construction rights on a public road in the amount of 0.63 EUR/m2/y for ECI laid on highways and 0.32 EUR/m2/y for ECI laid on all other public roads.

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

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

43 Share-based and non-share-based payment transactions

Long-term incentive plans (LTI) are cash-based plans and were introduced in 2021, 2022, 2023 and 2024 at Group level.

LTI 2020 ended on 31 December 2023 and the Supervisory Board has determined final target achievement and awarded amount which was paid to plan participants in July 2024.

The LTI (Long term incentive) plan initiated in 2024, covers the period from 1 January 2024 to 31 December 2027.

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 "Key Performance Indicator" target achievement for the respective plan year.
Movements on cash-based incentive plans are presented in Note 28.

Share Matching Plan (SMP) is equity-based plan, for the award of bonus shares to managers, is active in 2023. The term of the 2024 SMP covers the period from 1 July 2024 to 30 June 2028. 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 2020 covered the period from 1 July 2020 to 30 June 2024 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 2020. 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.

43 Share-based and non-share-based payment transactions (continued)

Total number of Deutsche Telekom AG shares granted in 2024 as a part of the Share Matching Plan (SMP) 2020 is shown in the following table:

	Full entitlement for the entire SMP 2020 duration			The part of the entitlement relating to HT
Share Matching Plan (SMP)	Matching DT AG shares (pieces)	Non-cash benefit per share	Non-cash benefit	Non-cash benefit
		(EUR)	(EUR)	(EUR)
2020	6,109	21.58	131,832	131,832
2020	1,675	23.44	39,262	39,262
2020	718	23.50	16,873	16,873

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	2024	2023	2024	2023
Expenses	2,845	2,825	2,600	2,731
Total	2,845	2,825	2,600	2,731

44 Auditor's fees

The auditors of the Group's financial statements have rendered services of EUR 671 thousand in 2024 (2023: EUR 592 thousand) and of the Company's financial statements have rendered services of EUR 522 thousand in 2024 (2023: EUR 380 thousand). Services rendered in 2024 and 2023 relate to audits and reviews of the financial statements (including the Sustainability Report), Reports on related party transactions and Remuneration report.

45 Subsequent events

On 1 January 2025, Company merged its subsidiary HT Services Ltd. With the date of incorporation into the court register (2 January 2025), HT Services Ltd. ceased to operate as a separate business entity and the acquiring company, HT Inc., became the universal legal successor of the merged company, thus entering into all legal relationships of the merged company.

HT Services Ltd. was a daughter company of Croatian Telecom, to which the former technological unit Ericsson Nikola Tesla Servisi Ltd (ENTS) for construction and maintenance of the HT network was transferred, together with employees, and based on the Agreement on the transfer of a part of the economic activity that was concluded with ENTS.

The carrying value of transferred assets and liabilities of HT Services Ltd. as at the date of merger were:

		in EUR thousand
Non-current assets		**3,847**
Current assets		3,236
	of which relations with HT Inc.	2,187
Liabilities		7,884
	of which relations with HT Inc.	387
Total net assets		**(801)**
Investment in HT Services Ltd.		(717)
Total effect of merger on retained earnings of the Company		(1,518)

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

GLOSSARY

Adj. EBITDA AL	EBITDA after lease adjusted for one-time items
CAPEX AL	Capital expenditure after lease
CO_2e	CO_2 equivalent
CSRD	Corporate Sustainability Reporting Directive
CT	Crnogorski Telekom
DE&I	Diversity, Equity and Inclusion
DT Europe	Deutsche Telekom Europe
DT Grupa	Deutsche Telekom Group
DTAG	Deutsche Telekom AG
EBIT	Earnings before interest and taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EKI	Electronic communications infrastructure and other related equipment
ENTS	technology unit Ericsson Nikola Tesla Servisi d.o.o.
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
FTTH	Fiber to the Home, optical network
GDPR	General Data Protection Regulation
GHG	Greenhouse Gases
HAKOM	Croatian regulatory authority for network industries
HANFA	Croatian financial services supervisory agency

HT or Company	Croatian Telecom Inc.
HT Group	Croatian Telecom Inc. and its subsidiary companies.
HT Group in Croatia	Croatian Telecom Inc. and its subsidiary companies, not incl. Crnogorski Telekom
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IPO	Initial Public Offering
IRO	Impacts, Risks and Opportunities
ISO	International Organization for Standardization
KPI	Key Performance Indicator
LkSG	(de. Lieferkettensorgfaltspflichtengeset), German Law on Due Diligence in Chain Demand
NPS	Net promoter score, user satisfaction indicator
OECD	The Organisation for Economic Co-operation and Development
SBTi	Science Based Targets initiative
TRI*M	Measure, Manage, Monitor, metodology for measuring customer satisfaction
TSR	Total shareholder return
UN SDG	Sustainable Development Goal
vPPA	Virtual Power Purchase Agreement
ZSE	Zagreb Stock Exchange

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