Group BH TELECOM D.D. SARAJEVO

Consolidated Annual Report for the year ended 31 December 2024 and Independent Auditors' Report

This version of the report is a translation from the original, which was prepared in Bosnian 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 and the original language version of the financial statements take precedence over this translation.

Contents

Consolidated Annual Report for the year ended 31 December 2024

In accordance with the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina (Official Gazette No. 15/21) and the Instructions for the Submission of Financial Reports and Special Reports for the period January – December 2024 (issued by the Federal Ministry of Finance, Ref. No. 04-45-1-10821/24 dated 31 December, 2024), **a Consolidated Annual Report of the BH Telecom d.d. Sarajevo Group for the period from 1 January 2024 to 31 December 2024** has been prepared. This report contains information that provides an objective overview of the operations of the BH Telecom d.d. Sarajevo Group (hereinafter referred to as the "Group"), as well as its position, including a description of the main risks and uncertainties it faces and the measures undertaken for environmental protection. The BH Telecom Group comprises BH Telecom d.d. Sarajevo as the parent company and its subsidiary Metropoly Media d.o.o. Sarajevo (hereinafter: the Group).

By the decision of the Government of the Federation of Bosnia and Hercegovina of 28 December 2001, the Public Enterprise PTT BH Saobraćaj was reorganized and two new legal entities were formed as follows: PE BH Pošta Sarajevo and PE BH Telecom Sarajevo. The Company started its operations on 1 January 2002.

Based on the Decision of the Government of the Federation of Bosnia and Herzegovina on granting consent to the Reorganization Plan – the change of the organizational form of BH Telecom into a joint stock company - Decision No. V 677/03 dated 15 December 2003 ("Official Gazette of the Federation of BiH" No. 66/03) and the Decision of the Government of the Federation of Bosnia and Herzegovina on granting consent to the change of the organizational form of JP BH Telecom into a joint stock company - Decision No. V 677/03 dated 15 December 2003 ("Official Gazette of the Federation of BiH" No. 1/04), BH Telecom has been operating as a joint stock company.

As of 30 June 2014, the Company changed head office location and moved to: Franca Lehara 7, Sarajevo.

According to the tax registration certificate dated 9 November 2011, the Company was assigned the tax identification number 4200211100005, while pursuant to the Notification on Classification of the Legal Entity by Activity Classification No. 07-32.5-3968/14 dated 10 October 2014, the Company is registered for activities in wired telecommunications (Activity Code KD BiH 2010: 61.10).

BH TELECOM d.d. Sarajevo is a commercial entity organized as an open joint stock company, following best practices of corporate governance. The Company is governed by its shareholders in accordance with the Law on Business Companies ("Official Gazette of the Federation of BiH", No. 81/15), the Law on the Securities Market ("Official Gazette of the Federation of BiH", Nos. 85/08, 109/12, 86/15 and 25/17), the Rulebook on Governance of Joint Stock Companies ("Official Gazette of the Federation of BiH", No. 19/10) and other relevant laws, by-laws and the valid Statute of the Company.

The share capital of BH Telecom d.d. Sarajevo is consisted of shares, of which approximately 90% are owned by the Federation of BiH and 10% by Privatization Investment Funds (PIFs) and minority shareholders. The governing bodies of the Company are: the General Assembly, the Supervisory Board, the Management Board and the Audit Committee.

According to Decision No. 03-19-101/04 dated February 19, 2004, the holder of 57,114,378 shares or 90.0043% of the capital is the Federation of BiH – Federal Ministry of Transport and Communications, while the holders of 6,342,980 shares or 9.9957% of the capital are minority shareholders. The Company's shares are listed on the Sarajevo Stock Exchange.

BH Telecom is the leading telecommunications operator in Bosnia and Herzegovina, holding the largest market share in the provision of telecommunications services: fixed-line, mobile and internet networks. We continuously collaborate with numerous domestic and international companies, directly contributing to the quality of our services. As a socially responsible company, we actively participate in the everyday progress of Bosnian society, contributing to its development.

The subsidiary Metropoly Media d.o.o. Sarajevo was established by decision of the Management Board of BH Telecom d.d. Sarajevo. Based on the Company Registration Decision for MY Media d.o.o. Sarajevo, issued by the Municipal Court in Sarajevo, BH Telecom d.d. Sarajevo is the sole (100%) owner of the company, having invested a capital amount of KM 9.794.130.

MY Media d.o.o. Sarajevo is primarily registered for the production and broadcasting of television programming, as well as related activities. According to its founding documents, MY Media d.o.o. Sarajevo is a company engaged in the production, procurement and broadcasting of TV content, operation of a linear pay-TV channel, sale of broadcasting rights for TV content and marketing services. In this regard, at the beginning of 2023, MY Media submitted a request to the Communications Regulatory Agency of Bosnia and Herzegovina (CRA), the regulatory body for the media market in BiH, seeking approval to establish a thematic television channel under the name MY TV. The CRA responded positively to this request, granting a license classifying the channel as thematic, with a focus on film, series and compilation content. Based on this license, MY Media d.o.o. Sarajevo established the MY TV channel, which must maintain at least 70% of its programming related to film, series, historical or documentary content. The channel MY TV began broadcasting on 10 February, 2023, within the Moja TV platform, i.e., BH Telecom's IPTV platform. In addition to this activity, MY Media d.o.o. Sarajevo is registered for approximately 50 additional activities, primarily related to media content production and distribution, as well as IT services.

The Group's infrastructure is an integral part of the global telecommunications system. As such, it enables citizens and businesses in Bosnia and Herzegovina to access high-quality fixed and mobile network services for local, long-distance and international communication. The Group offers a wide range of tailored service packages. Through its direct link capacities, BH Telecom provides its subscribers with international voice telephony services via automatic dialing to 225 countries worldwide.

Although Bosnia and Herzegovina, according to relevant indicators, belongs to the group of countries with low development and usage of information and communication technologies, the telecommunications market in Bosnia and Herzegovina is highly dynamic. There are three dominant operators on the BiH telecommunications market: BH Telecom d.d. Sarajevo, Mtel a.d. Banja Luka and Hrvatske Telekomunikacije d.d. Mostar. All three operators compete equally in delivering telecommunications services to both business and private users, in the areas of mobile, fixed-line, internet, IPTV and other telecom services. In addition to these three operators, there is also a significant number of small competitors providing telecommunications services. According to the latest data from the Communications Regulatory Agency of Bosnia and Herzegovina, at the time of compiling this report, the telecommunications market in Bosnia and Herzegovina includes: 3 UMTS operators, 3 fixed telephony service providers, 3 GSM operators, 62 internet service providers, 71 licensed network operators, 10 providers of fixed public telephone services, 24 AVM service providers and 4 registered mobile telephony service providers. These figures indicate that the attractiveness of the telecommunications market in Bosnia and

Herzegovina remains at a stimulating level for the entry of smaller competitors. The telecommunications market is dynamic and capital-intensive, with pronounced competition, particularly in mobile telephony and internet services. Telecommunications is a global industry, with competition occurring both within and beyond national borders. Due to deregulation, the rapid development of new technologies and significant investments in further research and development over the past decade, telecommunications has become a highly competitive industry. This market is, therefore, very dynamic and prone to major changes and the past several years have been marked by numerous acquisitions and mergers aimed at strengthening competitive positions in the market.

The past decade was marked by weak convergence toward more developed countries, primarily due to slow reform processes. The lack of key economic reforms intended to boost economic activity, employment and household purchasing power appears to have come due in 2024. Macroeconomic trends in the first half of 2024 are concerning, resulting in unchanged expectations of modest economic growth for the current and the next two years.

The decline in external demand from the euro area, reflected in the continued sharp drop in domestic industrial production and exports during the first nine months of 2024, as well as the expected negative impact of floods, has contributed to continued expectations of modest economic growth (2.4%) in the current year.[1] The modest growth in real economic activity from the previous year, continued into the first half of 2024, is primarily driven by the growth of the service sector, alongside a worsening trade deficit, further inflationary pressure on average consumer prices and labor costs and a continued record increase in real estate prices, which is already causing significant macroeconomic imbalances.[2]

Key assumptions for domestic GDP growth, in addition to the previously mentioned external assumptions, include growth in current consumption (both personal and governmental) and strong growth in investments. Compared to the previous round of projections, in this cycle a much greater contribution to real GDP growth comes from real investments, which grew by 20.4% year-on-year in the first half of the current year. In addition to strong investment growth, slightly stronger government consumption is expected in the current year due to flood-related expenditures, as well as growth in personal consumption driven by increases in nominal wages, employment and remittance inflows. However, the continued sharp decline in goods exports during the first nine months of the current year has had a negative impact on overall economic activity.[3]

The deteriorated economic and industrial outlook in the EU, further strained by global geopolitical tensions, has led to reduced demand in the markets of our main trading partners, which is reflected in the continued decline in industrial production volume in the third quarter of 2024. Industrial production volume recorded a year-on-year decline of 4.9%. The total decline in industrial production volume for the first nine months of 2024 was 5.5%, compared to the same period of the previous year.[4]

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[1] Central Bank BiH, Bilten 3 2024, page 18

[2] Central Bank BiH, Report on macroeconomic imbalances for the year 2024, page 5

[3] Central Bank BiH, Bilten 3 2024, page 18

[4] Central Bank BiH, Bilten 3 2024, page 20

In this year, the continued inflationary pressure is expected due to rising administrative prices, particularly in rent costs, as well as other domestic prices driven by increasing pressure on the labor market, stemming from an already low standard of living. This is compounded by the fact that the prices of food, electricity, other energy sources, rent, transportation and personal care products have risen faster than the overall inflation rate, significantly weakening the real purchasing power of the population and increasing business costs. The projected consumer price growth rate for 2024 is 1.8%, with a nearly identical inflation rate expected through the end of the projection period. In the short term, further increases in electricity prices on the domestic market, along with significant increases in the minimum wage at the beginning of the current year, may—with some time lag—contribute to higher average consumer prices.5 Starting from August 2024, a linear increase in electricity prices was introduced: 10% for households and nearly 8% for small businesses in the Federation of BiH. Given this increase in electricity prices, further inflationary pressure is expected on the prices of goods and services that are less susceptible to changes in international market conditions.6 In the next year, inflation is expected to reach 1.9% with the largest contributors to this growth again being administrative prices, food, transportation and core inflation.

The consolidated annual business report for 2024 of BH Telecom d.d. Sarajevo Group provides an objective overview of the Group's consolidated operations and its position, including a description of the main risks and uncertainties it faces, as well as measures undertaken for environmental protection.

Below is a comparison of realised revenue, expenses and profit for 2024 with the results achieved in 2023, as well as with the business plan for 2024, on a consolidated basis.

In the period January–December 2024, **total revenue** amounted to KM 554.1 million, which is an increase by KM 26.4 million or 5% compared to revenue realised in the period January–December 2023, which amounted to KM 527.7 million.

Total expenses for the period January–December 2024 amounted to KM 481.7 million, which is an increase by KM 7.2 million or 2% compared to expenses in the period January–December 2023, which amounted to KM 474.5 million.

Operating profit for the period January–December 2024 amounted to KM 72.3 million, which is an increase by KM 19.5 million or 36% compared to gross profit realised in the period January–December 2023, when it amounted to KM 53.1 million.

The Group had 2,958 employees as at 31 December 2024, which is a decrease by 40 employees compared to 31 December 2023 (2,998 employees).

In accordance with the provisions of Articles 42 and 43 of the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH", No. 15/21), we provide the following information to complement the objective presentation of the financial position and operations of the Group.

[5] Central Bank BiH, Bilten 3 2024, page 20
[6] Central Bank BiH, Bilten 3 2024, page 21

SIGNIFICANT EVENTS IN THE PERIOD FROM 31 DECEMBER 2024 UNTIL THE ISSUE OF FINANCIAL STATEMENTS FOR 2024

In January 2025, the Group announced its intention to acquire a controlling stake in Telemach d.o.o. Sarajevo, Bosnia and Herzegovina and Telemach Crna Gora d.o.o. Podgorica, Montenegro. The Group has received a positive opinion from the regulator from Montenegro, while the approval of the regulator in Bosnia and Herzegovina is pending before continuing activities on the acquisition. The Management Board expects that the official opinion of the regulator in Bosnia and Herzegovina will be obtained by the end of 2025.

FUTURE DEVELOPMENTS

The assessment of the expected future development of the parent company and its subsidiary is contained in separately prepared business plans, which have been adopted by the General Assembly of the parent company as well as by the General Assembly of the subsidiary. The key figures are presented below:

BH Telecom d.d. Sarajevo (Parent Company)

In accordance with the Company's Statute and Articles 3 and 6 of the Planning Rulebook of BH Telecom Joint Stock Company, a Three-Year Business Plan of BH Telecom dd Sarajevo for the period 2024–2026 was prepared and adopted at the Company's Assembly held on 3 June 2024.

The Three-Year Business Plan of BH Telecom dd Sarajevo serves as the foundation for the Company's business activities and is a key document for making business decisions, defining development projects and efficiently managing all important business-functional segments.

At the time of preparing the Annual Business Report for the period from 1 January 2024, to 31 December 2024, the Three-Year Business Plan of BH Telecom d.d. Sarajevo for the period from 1 January 2025, to 31 December 2027, was in the process of being adopted.

An overview of planned revenue, expenses, profits and capital investments for 2025, 2026 and 2027 is provided in the following table:

(in 000 KM)

No	DESCRIPTION	Plan 2025 (000 KM)	Plan 2026 (000 KM)	Plan 2027 (000 KM)
1	2	3	4	5
Financial result				
1	TOTAL INCOME	577,477	617,157	635,963
2	TOTAL EXPENSES	523,966	534,372	545,093
3 (1-2)	GROSS PROFIT	**53,511**	**82,785**	**90,870**
PLANNED INVESTMENTS				
4	PLANNED INVESTMENTS	282,526	226,816	206,755

FUTURE DEVELOPMENTS (*continued*)

Metropoly Media d.o.o. Sarajevo (subsidiary)

Based on Article 234, paragraph (1), item k) of the Law on Business Companies ("Official Gazette of the Federation of BiH", no. 81/15, 75/21), the Assembly of the limited liability company "Metropoly Media" Sarajevo, at its 6th session held on 19 December, 2024, adopted the Decision on the adoption of the business plan of Metropoly Media d.o.o. Sarajevo for the year 2025.

The Business Plan of Metropoly Media d.o.o. Sarajevo for the year 2025 represents a framework document for the operations of the company Metropoly Media d.o.o. Sarajevo regarding business and program activities in the year 2025. Below is a tabular overview of the company's revenue and expenditures for the year 2025:

(in 000 KM)

R.B.	Description	Plan 2025 (000 KM)
1	2	3
1	TOTAL INCOME	3,662
2	TOTAL EXPENSES	3,350
3 (1-2)	GROSS PROFIT	**312**

BH Telecom d.d. Sarajevo conducts annual procurement of services related to workforce engagement for the needs of the contact center, activities related to fault resolution, installation of new services and other front/back office tasks and duties of the technical support departments/units.

According to BH Telecom's information, an external partner is engaged for these purposes and it is estimated that approximately 150 workers will be required in 2025 for the aforementioned tasks. Based on available information regarding amendments to the Statute and changes to the organizational structure, Metropoly Media d.o.o. Sarajevo would, upon completion of the administrative procedure, be able to provide a maximum of 80 workers to meet BH Telecom's needs.

The implementation of this initiative also requires additional costs related to accounting services, as well as the potential engagement of additional personnel for administrative tasks. Before proceeding with these business activities, the Group should determine the organizational structure of the company, taking into account the amendments to business activities. Furthermore, it is necessary to obtain the opinion of the Communications Regulatory Agency and relevant trade associations regarding possible increases in annual license fees related to television broadcasting, which is the primary activity of Metropoly Media d.o.o. Sarajevo.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2024, BH Telecom d.d. Sarajevo Group did not have and did not plan activities related to research and development in accordance with IAS 38.

THE GROUP'S SHARE AND OWNERSHIP STAKE REPURCHASE

BH Telecom d.d. Sarajevo did not acquire its own shares in 2024, nor did Metropoly Media d.o.o. Sarajevo acquire its own stakes in 2024.

BUSINESS SEGMENT INFORMATION

International Financial Reporting Standard 8 – Business Segments provides that legal entities identify operating segments, i.e. report on business results, assets and liabilities of operating segments.

In accordance with IFRS 8, the Group had one business segment – BH Telecom.

FINANCIAL INSTRUMENTS SIGNIFICANT TO THE APPRAISAL OF FINANCIAL POSITION AND BUSINESS SUCCESS

The Group has no credit liabilities that are significant for assessing the financial position and performance of the legal entity.

On 4 July 2024, BH Telecom d.d., through the brokerage firm VGT-BROKER DOO Visoko, purchased 1,000 bonds of ASA Finance d.d. Sarajevo, with total funds spent amounting to KM 4,813,367 (value of the purchased bonds and brokerage fee).

On 22 October 2024, BH Telecom d.d., through the brokerage firm VGT-BROKER DOO Visoko, purchased 4,730 bonds of the Federation of BiH, with total funds spent amounting to KM 4,518,707.41 (value of the purchased bonds and brokerage fee).

On 12 November 2024, BH Telecom d.d., through the brokerage firm Unibroker d.o.o. Sarajevo, purchased 10,000 bonds of the Federation of BiH, with total funds spent amounting to KM 10,035,590.36 (value of the purchased bonds and brokerage fee).

Accordingly, for the three purchases of debt securities – bonds of the Federation of BiH and ASA Finance d.d. Sarajevo – a total of KM 19,367,664.77 was spent (value of the purchased bonds and brokerage fees).

Metropoly Media d.o.o. Sarajevo did not use any financial instruments that are significant for assessing its financial position and performance.

THE AIMS AND POLICIES REGARDING FINANCIAL RISK MANAGEMENT, TOGETHER WITH THE POLICY OF RISK PROTECTION FOR EVERY PLANNED TRANSACTION THAT REQUIRES PROTECTION

In its operations, the Group is exposed to all types of uncertainties and changes affecting the telecommunications and information technology industry. To operate successfully in this unstable environment, it is important to identify risks in a timely manner and to utilise potential opportunities. Risk management is focused on reducing the likelihood and/or minimizing the potential negative impact on the Group's financial position and performance.

THE AIMS AND POLICIES REGARDING FINANCIAL RISK MANAGEMENT, TOGETHER WITH THE POLICY OF RISK PROTECTION FOR EVERY PLANNED TRANSACTION THAT REQUIRES PROTECTION (*continued*)

BH Telecom has established a risk management framework based on COSO practices and aligned with ISO 31000 standards, which enables regular identification, analysis, assessment and reporting of risks.

All identified risks are assigned to a specific category (strategic, operational, financial and compliance risks) and it is determined whether the source of the threat is internal or external. Risks are assessed by considering their impact on the Group's strategic and operational objectives and the likelihood of their occurrence. This approach helps us better understand how to most effectively address risks and establish an appropriate level of oversight and security. Risk owners are responsible for confirming the existence of adequate controls and implementing risk treatment plans to an acceptable level of tolerance. We monitor the status of risk treatment plans throughout the year and prepare periodic reports on the Group's key risks.

The internal audit department regularly conducts audits in the area of risk management to assess the functionality and effectiveness of the established system.

Through its subsidiary Metropoly Media d.o.o. Sarajevo, the Group is exposed to constant changes in the television business in Bosnia and Herzegovina as well as in the region. Adaptation of business activities and quarterly plans for content acquisition help the Group maintain and improve its role in the media business.

EXPOSURE TO PRICE, CREDIT, MARKET AND CURRENCY LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE OPERATIONS OF A GROUP

Price risk refers to the risk of changes in capital value, i.e., changes in market interest rates. Protection against the risk of changes in market interest rates in the segment of placing free cash funds is sought through investment diversification and contractual relationships with financial institutions.

According to the current business plan, the Group is financed from its own capital, as well as from non-current and current liabilities arising from ongoing operations (such as lease liabilities, trade payables, etc.). In accordance with the valid Statute of the Group, Article 120 (Prohibited and Restricted Activities of the Company), the Group is not allowed to grant loans or advances to employees or third parties and therefore does not carry this type of risk as a lender. The Group's potential exposure to credit risk arises from significant cash holdings maintained in bank accounts (in the form of current accounts or deposits), from investments made in bonds and shares, as well as from trade receivables and other assets and claims.

Currency risk refers to exposure to exchange rate fluctuations. Since the majority of business transactions are conducted in the national currency (Convertible Mark) and in EURO — to which the Convertible Mark is pegged at a fixed exchange rate — currency risk is of low materiality.

EXPOSURE TO PRICE, CREDIT, MARKET AND CURRENCY LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE OPERATIONS OF A GROUP (*continued*)

In accordance with its internal regulations, the Group pursues an active cash management policy. USD funds are monitored with special attention, as they are subject to frequent exchange rate fluctuations and through active cash management, the Group ensures that it does not encounter negative exchange rate differences.

Liquidity implies ensuring the continued ability to timely finance the Group's current liabilities i.e. the ability to settle liabilities in agreed amounts and on maturity dates.

Risk management includes the identification, measurement or assessment, monitoring and reporting of risks to which the Group is or could be exposed during its operations, especially liquidity risk as a specific type of financial risk. The Group's Management is obliged to ensure that the Group implements regular risk management measures and acts in accordance with financial professional standards. Liquidity risk is the risk of negative effects on the financial result and capital of the Group due to the inability to meet due obligations.

Liquidity risk cannot be completely avoided, but its negative effects can be mitigated through an active liquidity risk management policy. In its operations, the Group can manage liquidity risk by applying the following measures: a) Diversification of funding sources: The Group is currently financed through its own capital, as well as through assumed non-current and current liabilities. If necessary, the Group can secure access to additional funding sources (such as bank loans, bond issuance, etc.). b) Liquidity planning: Scenario analyses are regularly conducted, including stress testing under various conditions in which the Group operates c) Access to liquid reserves: The Group maintains an adequate amount of liquid reserves, which are available in case of unexpected needs. d) Maintaining relationships with financial institutions: Establishing strong relationships with key financial institutions to ensure quick access to liquidity during times of crisis.

A key business risk related to the subsidiary Metropoly Media d.o.o. Sarajevo is the potential loss of the broadcasting license issued by the Communications Regulatory Agency of Bosnia and Herzegovina. MYTV is a television channel licensed as a thematic channel focusing on films, series and documentary programming. Since the appointment of the current Management Board in 2023 and throughout 2024, MYTV has met all license conditions without issues, while ensuring its content includes enough attractive sports program.

One challenge is the repurposing and shifting of other business activities to become the company's focus. Metropoly Media d.o.o. Sarajevo is a company engaged in broadcasting television programs. In the latter part of 2024, Supervisory Board meetings discussed initiatives to expand the company's activities. The Management believes that any change should be approached carefully, taking into account the specific nature of the company's primary business activity.

EXPOSURE TO PRICE, CREDIT, MARKET AND CURRENCY LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE OPERATIONS OF A GROUP (*continued*)

Strengthening human resources and long-term resolution of employee matters at Metropoly Media d.o.o. Sarajevo emerges as a key challenge for the Group. Current employees are engaged under six-month employment contracts, which do not guarantee a long-term relationship with the company. The Management's position is that these individuals have demonstrated knowledge and loyalty to the company and its values over the past period and that long-term employment contracts should be signed with them as soon as possible.

Increasing the strength of the MYTV brand in the market and competing for the purchase of broadcasting rights for the most important sports competitions, including the Premier League of Bosnia and Herzegovina football. Acquiring such sports events raises the channel's attractiveness but also creates the necessary conditions for continuing the broadcasting of UEFA competitions and the Bosnia and Herzegovina national football team. If this acquisition is not achieved during 2025, in the following years Metropoly Media d.o.o. Sarajevo will face the challenge of losing credibility for purchasing broadcasting rights for sports events that are of vital interest to the company, the Moja TV platform and the Group. The same applies to other team sports.

MEASURES ON ENVIRONMENT PROTECTION

BH Telecom d.d. Sarajevo (parent company)

During 2024, BH Telecom carried out a series of activities aimed at environmental protection, specifically in the area of construction and operation of telecommunications equipment. These included obtaining Systematic Testing Reports and Environmental Impact Assessments for base stations, along with safety declarations, for the purpose of securing the Certificate of Compliance with Electromagnetic (EM) Radiation Limits for base stations from the Communications Regulatory Agency (RAK), as well as the Approval for the Use of Non-Ionizing Radiation Sources from the Ministry of Health and Social Protection of the Republic of Srpska. Network modernization was undertaken, involving the replacement of older technology with newer solutions that consume less energy and produce lower heat dissipation and CO_2 emissions. System functionalities were used to enable electricity savings, thereby increasing the energy efficiency of the equipment. Projects were implemented to replace energy systems with more efficient alternatives. Additionally, the process of replacing air-conditioning systems that use refrigerants harmful to the environment is currently underway. In 2024, a photovoltaic solar power plant (PV system) was commissioned at the Group's office building in Mostar, while the intensive installation activities are ongoing (in the implementation phase) for commissioning additional solar systems for other Company's facilities with flat roofs. Solar systems have been installed and put into operation at approximately 10 base station sites, while work is ongoing at around 20 more sites. Furthermore, a bidding process is underway for equipping an additional 46 base station locations with solar panels. Previously, electric vehicle charging stations were installed to support increased use of electric vehicles within the Group. These charging stations were set up in the parking areas of BH Telecom's major facilities across regional directorates (one charging station at each BH Telecom Directorate).

MEASURES ON ENVIRONMENT PROTECTION (*continued*)

Metropoly Media d.o.o. Sarajevo (subsidiary)

Given the nature of Metropoly Media d.o.o.'s activities – production and broadcasting of television programs via electronic communication networks – it does not have a direct impact on the environment. Therefore, at this time, the company does not see a need to implement special environmental protection measures. However, the company ensures rational energy consumption and responsible management of electronic waste, in accordance with applicable legal regulations.

APPLIED CORPORATE GOVERNANCE RULES

BH Telecom d.d. Sarajevo (parent company)

BH Telecom d.d. Sarajevo operates in accordance with the Corporate Governance Code adopted at the 55th (regular) General Assembly of Shareholders held on 27 June 2019. In line with this, the Company ensures timely disclosure and public availability of information related to the Company in accordance with the Law on Companies, the Law on the Securities Market, the Rulebook on Management of Joint Stock Companies, the Rulebook on Disclosure of Information and Reporting on the Securities Market, the acts of the Securities Commission, the rules of the organized market on which the Company is listed and the Company's internal acts, thereby enabling equal access to information for shareholders, investors and other stakeholders.

Communication with the public is based on the principles of truthfulness, accuracy, completeness of data, timeliness, equal accessibility, building trust and economy, so that shareholders, interested investors, customers and suppliers, state authorities and the wider public are informed in a truthful and objective manner about facts and events significant to the Company's operations. Public disclosure of information is achieved through publication, delivery and enabling access to certain documents. Disclosure is carried out via the Company's website and/or daily newspapers, as well as other media channels.

APPLIED CORPORATE GOVERNANCE RULES (*continued*)

BH Telecom d.d. Sarajevo (parent company) (*continued*)

The Management Board of the Company is responsible for ensuring transparency in business operations. The basic principles of the Company's corporate governance are as follows:

- transparency of operations,
- clear procedures for the work of the General Assembly, Supervisory Board, Management Board and Audit Committee,
- avoidance of conflicts of interest,
- effective internal control,
- efficient system of accountability.

The goal of the adopted corporate governance principles is to improve the Company's business development for the benefit of all stakeholders and to ensure through the established principles and the introduction of good business practices in the field of corporate governance:

- a system of mechanisms for setting the Company's objectives, the means to achieve them and monitoring their outcomes,
- a foundation for the effective implementation of corporate governance principles,
- a balance of influence among stakeholder groups,
- a sustainable and consistent system for monitoring the Management Board's work and protecting investors,
- accountability of the Company's bodies,
- strengthening the confidence of shareholders and investors in the Company, as well as ensuring equal treatment of shareholders,
- disclosure of information and transparency of business operations,
- efficient use of the Company's resources, as well as
- trust in the Company's business operations and activities.

Metropoly Media d.o.o. Sarajevo (subsidiary)

The subsidiary Metropoly Media d.o.o. Sarajevo currently does not have a formally adopted internal act regulating the application of corporate governance principles However, the Company's Director is fully familiar with the generally accepted principles of corporate governance and is responsible for their application in the daily operations of the company.

Dioničko društvo BH Telecom Sarajevo, Obala Kulina bana 8 Sarajevo – Franca Lehara 7

Place of seal

GENERAL MANAGER

Amel Kovačević

Responsible person

Responsibility of the Management Board for the Consolidated Financial Statements

The Management Board is required to prepare consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the results of its operations and cash flows, in accordance with applicable accounting standards and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Management is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgments and estimates that are reasonable and prudent; and prepare the separate and consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Management Board is responsible for submitting the consolidated annual report, which includes the Group's consolidated financial statements, for approval to the Supervisory Board and the owners.

The consolidated financial statements on pages 19 to 87 were approved and signed by the Management on 30 May 2025.

For and on behalf of the Management Board

GENERAL MANAGER

Amel Kovačević

A.I. EXECUTIVE MANAGER FOR ECONOMIC AND FINANCIAL AFFAIRS

Anisa Lojo - Bajrić

Head of Accounting Department

Ismet Ramović

KPMG

Independent Auditors' report

To the shareholders of BH Telecom d.d. Sarajevo

Opinion

We have audited the consolidated financial statements of BH Telecom d.d. Sarajevo ("the Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position of the Group, as at 31 December 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as: "the financial statements").

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group, as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Reporting Framework in the Federation of Bosnia and Herzegovina.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Federation of Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

Revenue for the year ended 31 December 2024: KM 528,303 thousand (year ended 31 December 2023: KM 505,169 thousand), contract assets as at 31 December 2024: KM 7,263 thousand (31 December 2023: KM 9,787 thousand) and contract liabilities as at 31 December 2024: KM 8,715 thousand (31 December 2023: KM 9,437 thousand).

Refer to Note 3 *Material accounting policies*, Note 4 *Use of judgements and estimates*, Note 6 *Revenue from contracts with customers, Note 32 Contract assets* and Note 42 *Contract liabilities*.

This version of the Auditors' report is a translation from the original, which was prepared in 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 our report takes precedence over translation

KPMG

Independent Auditors' report
To the shareholders of BH Telecom d.d. Sarajevo *(continued)*

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the matter*

The Group's core revenue streams include telecommunication services, both on the retail market (prepaid and post-paid services, fixed telephony, fixed broadband services, IPTV, internet and bundle packages) and wholesale market (network interconnection, inter-operator services, broadband access), as well as sales of goods (handsets, laptops and other appliances).
 	
Revenue recognition is considered a key audit matter because of:
- Reliance on multiple, complex information technology (IT) systems and tools used in the initiation, authorisation, processing and recording of revenue transactions;
- Variety of customer offerings with multiple pricing and tariff structures, which may frequently change during the course of the year;
- Judgements and estimates involved in revenue recognition of multiple element arrangements;
- Large volume of transactions;
- Employee bonus scheme being tied to sales.
 	
Revenue recognition involves the exercise of judgements and estimates around the identification of performance obligations that the Group has in its contracts with the customers, determination of stand-alone selling prices, allocation of transaction prices to performance obligations and determination of the timing of fulfilling those obligations.
 	
In the wake of the above factors, we considered revenue recognition to be associated with a significant risk of material misstatement in the financial statements, which required our increased attention in the audit.
 	
Accordingly, we considered this area to be a key audit matter.
	Our audit procedures in this area, performed, where applicable, with the assistance of our own information technology (IT) specialists included, among others:
	• Making relevant inquiries of the Group's personnel in order to obtain an understanding of the sales process, IT applications used therein and key data sources;
	• Testing the design, implementation and operating effectiveness of selected controls over the initiation, authorisation, processing and recording of revenue transactions;
	• In the IT systems that are important to the operation of controls over revenue recognition process, we tested the general IT controls – particularly those that ensure authorized access, system operation and changes in relation to these systems;
	• Testing the reconciliations between the general ledgers and the IT systems for all the key revenue streams;
	• Developing independent expectation for significant revenue streams, based on actual sales cash receipts, and comparing to actual amount of revenues recognised by the Group;
	• On a sample basis,
	  o testing that the revenue recognised during the year agrees with underlying contractual arrangements and collections (where available);
	  o evaluating the revenue recognition relating to multiple element arrangements with customers in accordance with the applicable financial reporting framework;
	  o obtaining confirmations of the outstanding trade receivables balances with wholesale customers as at the year-end;
	  o vouching subsequent payments of the outstanding trade receivables balances as at year-end;
	• Assessing the accuracy and completeness of revenue-related disclosures against the requirements of the relevant financial reporting standards.

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Independent Auditors' report
To the shareholders of BH Telecom d.d. Sarajevo *(continued)*

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 21 May 2024.

Other Information

Management is responsible for the other information. The other information comprises Annual management report included in the Annual Report of the Group, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual management Report, we also performed procedures required by the Law on Accounting and Auditing in Federation of Bosnia and Herzegovina ("Law on Accounting and Auditing"). Those procedures include considering whether the Management Report has been consistent with financial statements for the same financial year.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management report. We have nothing to report in this respect.

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

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Financial Reporting Framework in the Federation of Bosnia and Herzegovina, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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 Group or to cease operations, or has no realistic alternative but to do so.

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

KPMG

Independent Auditors' report
To the shareholders of BH Telecom d.d. Sarajevo *(continued)*

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether 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.

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Independent Auditors' report
To the shareholders of BH Telecom d.d. Sarajevo *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Vedran Vukotić.

KPMG B-H d.o.o. za reviziju

Registered Auditors
Zmaja od Bosne 7-7a
71000 Sarajevo
Bosna i Hercegovina

KPMG B-H 1 SARAJEVO

30 May 2025

BH Telecom Sarajevo Group

Consolidated statement of comprehensive income for the year ended 31 December 2024

(All amounts are presented in thousands of KM, unless otherwise stated)

Description	Note	2024	2023*
INCOME STATEMENT			
Revenue from contracts with customers	**6**	**528,303**	**505,169**
Revenue from contracts with customers-domestic		508,445	484,363
Revenue from contracts with customers-foreign		19,858	20,806
Other income and gains		**25,802**	**22,511**
Surpluses and other positive inventory adjustments	7	-	2
Income from non-current non-financial assets	7	1,162	-
Finance income	7	7,458	5,192
Other income and gains	7	17,182	17,317
Total income		**554,105**	**527,680**
Operating expenses		**455,738**	**443,597**
Cost of goods sold	8	62,228	62,855
Changes in inventories of finished goods, work in progress and semi-finished products, net (+) / (-)		156	(65)
Raw material	9	3,165	3,600
Energy and fuel	10	11,530	11,136
Salaries and other employee's benefits	11	148,332	142,919
Depreciation and amortization	12	104,879	100,788
Services	13	42,686	42,389
Other operating expenses	14	82,762	79,975
Other expenses and losses		**26,036**	**30,939**
Losses from non-current non-financial assets	15	1,806	2,608
Losses from financial assets	16	5,118	4,867
Provisions, net	17	11,937	15,188
Shortages and other negative adjustments to inventories	18	579	550
Share of loss of an associate and joint venture using equity method	19	-	44
Finance cost	20	2,531	3,077
Other expenses and losses	21	4,065	4,605
Total expenses		**481,774**	**474,536**
Profit before tax from continuing operations		**72,331**	**53,144**
Income tax expense	22	**6,370**	**4,758**
Current income tax		7,447	5,358
Deferred income tax		(1,077)	(600)
Profit from continuing operations		**65,961**	**48,386**
Other comprehensive income		**(3,052)**	**(1,452)**
Items that may be reclassified to profit or loss		(2,229)	(3,207)
Items that will not be reclassified to profit or loss		(823)	1,755
TOTAL COMPREHENSIVE INCOME		**62,909**	**46,934**
Earnings per share	23	**1.039**	**0.763**

** Includes reclassifications of comparative information – see Note 2.*

Notes below form an integral part of the consolidated financial statements.

BH Telecom Sarajevo Group

Consolidated statement of financial position as at 31 December 2024

(All amounts are presented in thousands of KM, unless otherwise stated)

Description	Note	31 Dec 2024	31 Dec 2023*
BALANCE SHEET			
ASSETS			
Non-current assets		**819,697**	**784,136**
Property, plant and equipment	24	579,892	583,267
Right-of-use assets	25	60,249	58,560
Intangible assets	26	70,506	71,955
Financial assets at fair value through other comprehensive income	28	2,478	4,707
Financial assets at amortized cost		86,574	45,191
Bank deposits	29.A)	*66,838*	*44,684*
Loans given	27	*64*	*207*
Bonds	29.B)	*19,372*	-
Other financial assets at amortized cost	33	*300*	*300*
Other assets and receivables		19,998	20,456
Contract assets	31	*5,130*	*6,615*
Trade receivables	32	*14,746*	*13,538*
Other assets and receivables	36	*122*	*303*
Deferred tax assets	22	**8,392**	**7,062**
Current assets		**453,732**	**482,415**
Inventories	30	14,265	12,020
Contract assets	31	2,133	3,172
Trade receivables	32	114,516	108,476
Other financial assets at amortized cost		45,514	21,110
Bank deposits	*29.A)*	*45,372*	*20,956*
Loans given	*27*	*142*	*154*
Cash and cash equivalents	34	246,445	312,474
Prepaid income tax	35	-	36
Other assets and receivables, including accruals	36	30,859	25,127
TOTAL ASSETS		**1,281,821**	**1,273,613**
EQUITY AND LIABILITIES			
Equity		**1,036,070**	**1,056,164**
Shareholder's equity	37	634,574	634,574
Reserves	37	306,645	306,645
Revaluation reserves	37	(21,098)	(18,046)
Retained earnings	37	115,949	132,991
LIABILITIES		**245,751**	**217,449**
Non-current liabilities		**85,831**	**83,422**
Financial liabilities at amortized cost		49,391	51,319
Lease liabilities	38.A)	*48,364*	*49,988*
Other financial liabilities at amortized cost	38.B)	*1,027*	*1,331*
Deferred income	42	208	284
Provisions	39	36,230	31,817
Other liabilities, including accruals	43	2	2
Deferred tax liabilities	22	**2,326**	**2,073**
Current liabilities		**157,594**	**131,954**
Financial liabilities at amortizes cost		79,441	72,141
Trade payables	40	*53,940*	*46,477*
Contract liabilities	41	*8,715*	*9,435*
Lease liabilities	38.A)	*14,296*	*10,613*
Other financial liabilities at amortized cost	38.B)	*2,490*	*5,616*
Deferred income	42	501	511
Income tax liabilities	35	2,385	-
Other liabilities, including accruals	43	75,267	59,302
TOTAL EQUITY AND LIABILITIES		**1,281,821**	**1,273,613**

** Includes reclassifications of comparative information – see Note 2.*

The accompanying notes form an integral part of the consolidated financial statements.

BH Telecom Sarajevo Group

Consolidated statement of changes in equity for the year ended 31 December 2024

(All amounts are presented in thousands of KM, unless otherwise stated)

Description	Shareholders' equity	Reserves	Revaluation reserves for financial asset at fair value through other comprehensive income	Other revaluation reserves	Retained earnings	TOTAL EQUITY
Balance as at 31 December 2022	**634,574**	**306,645**	**(10,620)**	**(5,974)**	**84,605**	**1,009,230**
Profit for the period	-	-	-	-	48,386	48,386
Other comprehensive income	-	-	(3,207)	*1,755*	-	(1,452)
Total comprehensive income	-	-	***(3,207)***	***1,755***	***48,386***	***46,934***
Balance as at 31 December 2023	**634,574**	**306,645**	**(13,827)**	**(4,219)**	**132,991**	**1,056,164**
Profit for the period	-	-	-	-	65,961	65,961
Other comprehensive income	-	-	(2,229)	(823)	-	(3,052)
Total comprehensive income	-	-	***(2,229)***	***(823)***	***65,961***	***62,909***
Declared dividends	-	-	-	-	(81,003)	(81,003)
Other forms of profit distribution and loss coverage	-	-	-	-	(2,000)	(2,000)
Balance as at 31 December 2024	**634,574**	**306,645**	**(16,056)**	**(5,042)**	**115,949**	**1,036,070**

The notes below form an integral part of the financial statements.

BH Telecom Sarajevo Group
Consolidated statement of cash flow for the year ended 31 December 2024

(All amounts are presented in thousands of KM, unless otherwise stated)

	2024	2023*
OPERATING ACTIVITIES		
Profit before tax	**72,331**	**53,144**
Adjustments for:		
Depreciation and amortization	104,989	102,386
(Gain)/loss on disposal of property, plant and equipment, net	1,475	1,271
(Gain)/loss on disposal of intangible assets, net	38	1
Impairment of property, plant and equipment	293	257
Impairment of intangible assets	-	1,079
(Release of)/allowance for losses on debt instruments at fair value through other comprehensive income, net	2,229	3,207
(Release of)/allowance for losses on trade receivables, net	(1,681)	(2,738)
(Release of)/allowance for losses on contract assets, net	69	-
(Release of)/allowance for losses on other financial assets at amortized cost, net	43	171
Surpluses, shortages, write-offs and adjustments of inventory values, net	646	1,124
Written-off liabilities	(185)	(202)
(Release of)/additional provisions recognized, net	4,338	7,264
Share of profit of associate and joint venture	-	44
Interest income and financial lease income recognized in profit or loss	(6,858)	(4,526)
Finance costs recognized in profit or loss	2,528	3,310
Changes in working capital:		
- Decrease/(increase) in inventories	(2,891)	1,178
- Decrease/(increase) in trade receivables	(3,067)	(7,675)
- Decrease/(increase) in other assets and receivables	(5,780)	(11,081)
- Decrease/(increase) in contract assets	2,475	(499)
- Increase/(decrease) in trade payables	7,351	10,224
- Increase/(decrease) in other liabilities	58	(16,008)
- Increase/(decrease) in contract liabilities	(720)	(83)
Income tax paid	(7,754)	(5,646)
Net cash generated/(used in) operating activities	**169,927**	**136,202**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(78,271)	(72,354)
Purchase of intangible assets	(15,904)	(16,775)
Investments in other financial assets at amortized cost	(217,075)	(225,401)
Proceeds from other financial assets at amortized cost	149,894	256,188
Interest received and income from financial leases	5,683	5,308
Other inflows / (outflows) from investing activities	2,865	-
Net cash flow generated/(used) in operating activities	**(152,808)**	**(53,034)**
FINANCING ACTIVITIES		
Proceeds from issuance of shares / paid-in equity capital	-	9,794
Dividends paid	(69,185)	(432)
Proceeds from loans and borrowings	-	8
Repayment of principal loans taken	-	(18)
Repayment of principal on leases	(12,161)	(12,026)
Payment of interest on leases	(1,700)	(2,162)
Other inflows from financing activities	-	3,828
Other outflows from financing activities	(144)	(1,986)
Net cash flow generated/(used) in financing activities	**(83,190)**	**(2,994)**
Net increase/(decrease) in cash and cash equivalents	**(66,071)**	**80,174**
Cash and cash equivalents at the beginning of the period	**312,474**	**232,359**
Exchange rate effects in cash and cash equivalents	42	(59)
Cash and cash equivalents at the end of the period	**246,445**	**312,474**

* *Includes reclassifications of comparative information – see Note 2.*

The notes below constitute an integral part of the financial statements.

1. GENERAL INFORMATION ABOUT THE GROUP

The BH Telecom Group consists of BH Telecom d.d. Sarajevo as the parent company and the subsidiary Metropoly Media d.o.o. Sarajevo (hereinafter together referred to as: the Group).

A. PARENT COMPANY BH TELECOM D.D.

Business activity, basic information and brief history

BH TELECOM d.d. Sarajevo (hereinafter referred to as "BH Telecom" or "the Company") is a business entity independently engaged in telecommunications activities in both domestic and international markets.

Company Name: Joint Stock Company "BH Telecom" Sarajevo

Short Name: "BH Telecom" d.d. Sarajevo

Headquarters: Franca Lehara Street No. 7, Sarajevo, Bosnia and Herzegovina

Company Mission: We connect and develop Bosnia and Herzegovina through innovative digital solutions.

Company Vision: The leading digital integrator of BH society.

Strategic Goals: 1. Preservation of financial performance; 2. Leadership in core market segments; 3. Excellence in customer experience management; 4. Market expansion and diversification; 5. Modernization and digital transformation, along with the establishment of efficient processes; 6. Establishment of a modern human resources management system.

Value System: 1. Customer commitment; 2. Work ethic; 3. Quality; 4. Collaboration; 5. Social responsibility.

By the decision of the Government of the Federation of Bosnia and Hercegovina of 28 December 2001, the Public Enterprise PTT BH Saobraćaj was reorganized and two new legal entities were formed as follows: PE BH Pošta Sarajevo and PE BH Telecom Sarajevo. The Company started its operations on 1 January 2002.

By the Decision of the Cantonal Court in Sarajevo, No. UF/I-520/04 of 12 March 2004, the Company was registered as the Joint-stock Company BH Telecom Sarajevo ("BH Telecom" or "Company", with the head office in Sarajevo, Obala Kulina bana 8. As of 30 June 2014, the Company changed head office location and moved to: Franca Lehara 7, Sarajevo.

The Company provides telecommunications services at the local, national and international level through the services of fixed telephony, mobile telephony, internet services (BIHNET), data transfer (BIHPAK) and IPTV television. The Company's operations are organized through 10 organizational units – business areas.

According to the form of organization, the Company is organized as a "joint stock company", with a basic capital of KM 634,573,580.00, which is divided into 63,457,358 ordinary shares of the same class, with a nominal value of KM 10.00 each. The registration of shares in the Register of the FBiH Securities Commission was carried out by Decision No. 03-19-101/04 dated 02.19.2004. years. The owner of 57,114,378 shares or 90.0043% of the capital is the Federation of BiH - Federal Ministry of Transport and Communications and the owners of 6,342,980 shares or 9.9957% of the capital are small shareholders. The Company's shares are listed on the Sarajevo Stock Exchange.

1. GENERAL INFORMATION ABOUT THE GROUP (*continued*)

A. PARENT COMPANY BH TELECOM DD (*continued*)

Business Activity, Basic Information and Brief History (*continued*)

As at 31 December 2024, the Company had 2,953 employees (31 December 2023: 2,993 employees).

Organization and Company Bodies

The Company is organized as a unified and independent entity, functioning as an economic and business unit based on functional, technological, process and territorial principles. From an organizational perspective, the Company is composed of basic organizational units, which include: the Cabinet of the General Director, executive directorates, regional directorates and telecom centers, along with their internal organizational sub-units.

The basic act of the Company is the Statute, which, in accordance with the law, regulates issues of importance for legal status and performance in legal transactions, share capital and shares, management and status changes of the Company.

The Company's bodies are the Assembly, the Supervisory Board, the Management Board and the Audit Committee.

The Shareholders' Assembly consists of the shareholders. The Government of the Federation of Bosnia and Herzegovina, as the majority capital owner, appoints the Chairperson of the Shareholders' Assembly, who presides over its sessions.

The Supervisory Board consists of the Chairperson and six members.

In the period from 1 January 2024, to the date of this report, the Supervisory Board of the Company was composed of:

Until 11 February 2024:

- Sedad Avdić Acting Chairman
- Faruk Hadžić Acting Deputy Chairman
- Samir Čorbo Acting Member
- Affan Ćehajić Acting Member
- Alma Zildžić Acting Member
- Zoran Marijanović Acting Member

From 4 March until 3 June 2024:

- Sedad Avdić Acting Chairman
- Faruk Hadžić acting deputy chairman
- Samir Čorbo Acting Member
- Ela Halilhodžić Acting Member
- Alma Zildžić Acting Member
- Zoran Marijanović Acting Member
- Hasan Hasić Acting Member

1. GENERAL INFORMATION ABOUT THE GROUP (*continued*)

A. PARENT COMPANY BH TELECOM DD (*continued*)

Four-year mandate commencing from 4 June 2024:

- Sedad Avdić Chairman
- Faruk Hadžić Deputy Chairman
- Samir Čorbo Member (resigned on 29 November 2024)
- Ela Halilhodžić Member
- Alma Ustavdić Member
- Zoran Marijanović Member
- Hasan Hasić Member

The Company's Management Board consists of the General Manager and Executive Managers. The Management Board is the managing body responsible for the operations of the Company. Each member of the Management Board is responsible for one corporate or business unit.

In the period from January 2024, to the date of this report, the Company's Management Board consisted of:

1. Amel Kovačević, General Manager (a.i. General Manager until 26 September 2024. Appointed as General Manager for a four-year term starting from 27 September 2024)
2. Erdal Islamagić, a.i. Executive Manager for Business Development
3. Damir Čauš, a.i. Executive Manager for Legal Affairs, Organization and Human Resources Management
4. Muamer Durić, a.i. Executive Manager for Technology and Services Development
5. Anisa Lojo – Bajrić, a.i. Executive Manager for Economic and Financial Affairs
6. Saša Palinić, a.i. Executive Manager for Investments
7. Semir Ibrahimović, a.i. Executive Manager for Information Technologies

Audit Committee

1 Dika Hodžić, Chairman
2 Esad Osmanbegović, Member
3 Dina Džano-Sokolović, Member, appointed on 12 February 2024, for the current mandate period until 2 February 2025.

The General Director's Cabinet and the Executive Directorates comprise the General Directorate headquartered in Sarajevo . The Company also operates through regional directorates and telecom centers, specifically Sarajevo Directorate, based in Sarajevo, Tuzla Directorate, based in Tuzla, Zenica Directorate, based in Zenica, Bihać Directorate, based in Bihać Travnik Directorate, based in Travnik, Mostar Directorate, based in Mostar, Goražde Directorate, based in Goražde, Brčko Directorate, based in Brčko, Banja Luka Directorate based in Banja Luka and Telekom centers affiliated with the regional directorates.

1. GENERAL INFORMATION ABOUT THE GROUP *(continued)*

B. SUBSIDIARY – METROPOLY MEDIA D.O.O. SARAJEVO

Basic information and establishment

Name of the Subsidiary: Limited Liability Company "Metropoly Media" Sarajevo

Short Name of the Subsidiary: "MY MEDIA" d.o.o. Sarajevo

Registered Office: Zmaja od Bosne 88, Sarajevo, Bosnia and Herzegovina

Email: almir.seckanovic@mymedia.ba.

Core Activity: Production and broadcasting of television programs

The company Metropoly Media d.o.o. Sarajevo was established by a decision of the Management Board of BH Telecom d.d. Sarajevo. Based on the Company Registration Decision issued by the Municipal Court in Sarajevo, BH Telecom d.d. Sarajevo is the sole owner of the company, having invested a total amount of KM 9,794,130 as registered equity. As at 31 December, 2024, the subsidiary had 5 employees (31 December, 2023: 5 employees).

Governing bodies of the Company

According to the Statute of MY Media d.o.o. Sarajevo, the company is managed by the General Director, who also constitutes the Management Board of the company, as well as **a** Supervisory Board and an Assembly. As at the date of preparation of the 2024 Business Report, the position of General Director was held by Almir Šećkanović.

Supervisory Board:

1. Edin Sedlarević, Chairman,
2. Zlatan Tafro, member and
3. Ismet Ramović, member.

Activity

MY Media d.o.o. Sarajevo is primarily registered for the production and broadcasting of television programming, as well as related post-production services. According to its founding documents, MY Media d.o.o. Sarajevo is a company engaged in the production, acquisition and broadcasting of TV content, operation of a linear pay TV channel, the sale of broadcasting rights for TV content and marketing services. In line with this, at the beginning of 2023, MY Media submitted a request to the Communications Regulatory Agency of Bosnia and Herzegovina (CRA), the regulatory authority for the media market in Bosnia and Herzegovina, seeking approval to establish a thematic TV channel under the name MY TV. The CRA responded positively to this request and granted a license categorizing the channel as a thematic one, focusing on film, series and compilation content. Based on this license, MY Media d.o.o. Sarajevo launched the MY TV television channel, which is required to include at least 70% of its content dedicated to film, series, historical or documentary programming. The MY TV channel began broadcasting on February 10 2023, as part of the Moja TV platform, i.e., the IPTV platform of BH Telecom In addition to this primary activity, MY Media d.o.o. Sarajevo is also registered for around 50 additional business activities, primarily related to the production and distribution of media content and IT services.

(All amounts are presented in thousands of KM, unless otherwise stated)

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements (hereinafter referred to as the "financial statements") have been prepared in accordance with the financial reporting framework in the Federation of Bosnia and Herzegovina ("the Framework").

The Financial Reporting Framework includes the Law on accounting and auditing of the FBiH (Official Gazette of the FBiH, 15/21) (hereinafter "Law"), accounting regulations and standards in accordance with articles 2, 4 and 25 of the Law which requires that recognition, measurement, presentation and disclosure of financial statement captions should be done in accordance with requirements and principles of International Accounting Standards and International Financial Reporting Standards which are translated, published and adopted until the date of this report, by the Supervisory Board of Association of Accountants, Auditors and Financial Professionals of the FBiH as authorized professional body in accordance with article 136 paragraph (1) and article 125 paragraph (5) item f) of Law and available for the public on the internet page of the Association in accordance with article 125 paragraph (6). Translation and publishing are based on the Decision of authorizations for translation and publishing no, 2-11/06 from 10 March 2006 (Official Gazette of the BIH no, 81/06), issued by the Commission for Accounting and Auditing of BiH. Framework includes and other appropriate regulations in accordance with article 2 paragraph (1) item c) of the Law.

Furthermore, in accordance with article 137 of the Law the Framework includes the following bylaws: Bylaw of chart of accounts and content of accounts for companies issued by the Federal Ministry of Finance, in accordance with article 17 paragraph (8) of the Law (Official Gazette of the FBiH, 81/21), Bylaw of the content and form of the financial statements for companies issued by the Federal Ministry of Finance, in accordance with article 39 paragraph (3) of the Law (Official Gazette of the FBiH, 81/21) and Bylaw of conditions and rules for consolidation of the financial statements, in accordance with article 41 paragraph (9) of the Law (Official Gazette of the FBiH, 81/21).

Although the applicable accounting regulations are based on the requirements of the International Financial Reporting Standards ("IFRS"), there are differences in the presentation of individual items, disclosures, as well as newly adopted standards (e.g., IFRS 17 is effective as of 1 January 2026) and therefore these financial statements cannot be considered to be in compliance with IFRS.

Basis of Measurement

These financial statements have been prepared under the historical cost principle, except for the following items which are measured on an alternative basis at each reporting date:

Position	Basis for measurement
Financial assets at fair value through other comprehensive income	Fair value
Provisions – severance pay	Fair value of the liability, in accordance with the requirements of IAS 19

2. BASIS OF PREPARATION (*continued*)

Functional and Presentation Currency

The amounts presented in the financial statements are expressed in Convertible Marks (KM), which is the functional and legal currency in Bosnia and Herzegovina. All amounts are expressed in thousands of KM, rounded to the nearest thousand, unless otherwise stated.

Adoption of new and revised standards

The following new standards, interpretations and amendments to existing standards, which may be applicable to the Group, are mandatory for periods beginning on 1 January 2024:

Effective Date	New Standards and Amendments to Existing Standards
1 January 2024	*Lease Liabilities in a Sale and Leaseback – Amendments to IFRS 16*
	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
	Non-current Liabilities with Covenants – Amendments to IAS and Classification of Liabilities as Current or Non-current – Amendments to IAS 1

Application of new or amended standards did not have a significant impact of the Group's financial statements.

New standards not yet effective

The following new standards, interpretations and amendments to existing standards issued by the IASB were not yet effective and have not been early adopted by the Group:

Effective date	New Standards and Amendments to Existing Standards
1 January 2025	*Amendments to IAS 21 – Lack of exchangeability (August 2023)*
1 January 2027	*IFRS 18 Presentation and Disclosure in Financial Statements*
	IFRS 19 Subsidiaries without Public Accountability: Disclosures
Available for optional application / effective date postponed indefinitely	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

New **IFRS 17** Insurance contracts will replace IFRS 4. It applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Application of this standard in Federation of Bosnia and Herzegovina has been prolonged until 2026. This new standard as well as its amendments are not expected to result in any significant changes within the Group.

Application of these standards is not expected to have a significant impact of the Group's financial statements.

2. BASIS OF PREPARATION (*continued*)

Changes in the presentation of financial statements

For the purpose of better presentation of compliance with applicable accounting standards, in 2024, in relation to the published reports for 2023, the Group carried out certain reclassifications of positions, which had no material impact on the Group's results, financial position and cash flows.

Separate statement on financial position – Balance sheet

In 2024, the Group reviewed the Separate statement of financial position, which led to changes in the comparative Separate statement of financial position and the following positions were reclassified: materials and parts to be installed on the network and replacement devices previously classified as Inventories in the amount of 9,443 thousand KM were reclassified to Property, plant and equipment to more clearly reflect the economic benefits from the use of these assets; Receivables from customers for installment payments previously classified as Financial assets at amortised costs – under item Loans to customers in the amount of 58,346 thousand KM (non-current portion 13,538 thousand KM, current portion 44,808 thousand KM) were reclassified to Trade receivables (non-current and current portion respectively); Contract assets were divided into current and non-current portions, so the portion of contract assets previously classified within current assets in the amount of 6,615 thousand KM was reclassified to non-current assets. Contract liabilities for prepaid traffic revenue (prepaid services) and prepaid monthly network fees in the amount of 5,405 thousand KM were reclassified from Deferred income to Contract liabilities; Contract liabilities relating to the customer material rights and other effects of price allocation within combined services in the amount of 2,912 thousand KM were reclassified from Other liabilities to Contract liabilities; Liabilities related to asset retirement obligation in the amount of 6,383 thousand KM were reclassified from Other non-current financial liabilities at amortized cost to Provisions.

Separate statement on comprehensive income

In 2024 the Group reviewed the Separate statement of comprehensive income. The result led to change in the Separate statement of Comprehensive income and the following position was reclassified: presented gross effects of rebates related to inventory (goods sold to the customers) received from the suppliers presented as part of the Finance income and Shortages and other negative inventory value adjustments in the amount of 1,301 thousand KM have been netted.

Consolidated statement of cash flows

In 2024 the Group reviewed the Separate statement of cash flows. The result of the review led to the changes in the comparative Separate statement of cash flows and the following positions were reclassified: investments in other financial assets in the amount of 6,521 thousand KM has been reclassified from investing activities to operating activities. Other changes did not have material effects to the amounts of net cash from operating, investment and financing activities.

3. MATERIAL ACCOUNTING POLICIES

Revenue recognition

The Group's revenue combine the following product lines:

Mobile services – Revenue from mobile services mainly relate to revenue from prepaid and postpaid services: calls, text and multimedia messages, monthly subscription fees, data transfer, as well as sales of mobile devices and other services. Revenue from prepaid services are recognized based on usage of minutes/data or on a straight-line basis over the contract period for capacity. Prepaid amounts are recognized as a contract liability until use or expiration of the services.

Fixed services – Revenue from mass market and corporate market services, revenue from charges for incoming and outgoing telephone calls, international roaming or data exchange customer revenue is recognized over time, during the period the service is provided, while invoicing is on a monthly basis. Prepaid fees collected from customers (advances) are recognized as contract liabilities until the services are used.

Sale of equipment – Where separable, revenue from the sale of equipment is recognized when significant risks and rewards of ownership are transferred to the customer. When equipment is sold in installments, revenue is recognized at the amount of future payments discounted with the associated interest rate. When the Group acts as an agent and not as the principal, revenue is recognized on a net basis, i.e., as a commission fee.

Sales or Delivery of Content – Revenue realized from sales or delivery of content (audio, video, games, etc. through the Moja TV service) is recognized when the content is delivered to the user. Revenue is recognized over time during the contract period with the customer.

IFRS 15 standard particularly impacts the following business events:

Multiple element arrangements – In the case of multiple-element arrangements (e.g. contract for mobile service plus mobile device, with subsidized products delivered in advance), the transaction price is allocated to performance obligations in the contract based on their relative standalone selling prices. The standalone selling prices of devices are determined using price lists. As a result, a larger portion of the total consideration is attributable to the component delivered in advance (device), requiring earlier recognition of revenue which results in higher revenue from sale of goods and lower revenue from service provision. This leads to the recognition of what is known as a contract asset in the statement of financial position. The contract asset is amortized over the remaining term of the contract.

Material rights – 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 budgets - the total transaction price of the combined contract is allocated to the individual, separate performance obligations on a relative stand-alone selling prices basis. A larger portion of the total consideration is allocated to the material right (e.g., the right to a future subsidy on a mobile device). This liability to the customer for future subsidies is recognized as a contract liability until exercised or expired.

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Revenue recognition (continued)

Discounts or uneven transaction prices – When monthly service fees are charged unevenly throughout the contract period, while monthly service is provided evenly to the customer, service revenue is recognized on a straight-line basis.

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

Loyalty program – For subscribers participating in the loyalty program, the Group allocates part of the received consideration to loyalty points. This allocation is based on the relative standalone selling prices. The amount allocated to the loyalty program is deferred and recognized as revenue when the points are redeemed, the likelihood of redemption becomes remote or they expire. The deferred revenue is recognized as a contract liability.

Contract costs (contract acquisition and contract fulfilment cost) – The standard permits capitalization and allocation of sales commission costs (the cost of acquiring a customer) over the estimated useful life of the contract with the customer. The Group recognizes these costs under other assets.

The five-step model applied to recognition of revenue from contracts with customers is presented below:

1. step: Identify the contract(s) with a customer
2. step: Identify the performance obligations in the contract
3. step: Determine the transaction price
4. step: Allocate the transaction price to the performance obligations in the contract
5. step: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized for each distinct performance obligation in the contract at the amount of the transaction price. The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer.

In cases where the Group is an intermediary between another supplier and the customer, the Group assesses whether it is acting as a principal or as an agent on behalf of the supplier. The key factor is whether the Group obtains control of the goods or services before they are transferred to the end customer. In other words, it is assessed whether the Group recognizes revenue on a gross basis (as a principal) or net basis (as an agent), i.e., as a commission fee. This is relevant for the sale of devices the Group sells in the course of its ordinary activities and is considered at the level of each individual contract with suppliers.

For contracts that contain more than one performance obligation (multiple-element arrangements), the Group allocates the transaction price to the performance obligations based on their relative stand-alone selling prices (SSPs). The stand-alone selling price is the price at which the Group would sell the promised good or service separately to a customer. The allocation based on relative stand-alone selling prices is performed as follows: first, the stand-alone selling price of each performance obligation is divided by the sum of the stand-alone selling prices of all performance obligations. This ratio is then multiplied by the transaction price. The result is the relative stand-alone selling price. Revenue is recognized when the performance obligations are satisfied by transferring control of the promised goods or services to the customer.

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Revenue recognition (continued)

Control over goods (e.g., sale of equipment) is transferred when the goods are delivered to the customer, the customer has full discretion over the goods and there is no outstanding obligation that could affect the customer's acceptance of the goods. Delivery is considered completed when the goods are shipped to a specified location and the risks of obsolescence and loss are transferred to the customer. Control over the goods is typically transferred at a point in time.

Control over services (e.g., telecommunications services, maintenance services, sale of licenses, etc.) is transferred either over time or at a point in time, which impacts revenue recognition. Revenue from service provision is recognized in the period in which the services are performed. If the service performance spans more than one period, the input method (based on incurred costs) and the output method (based on units/tasks delivered) are used to measure progress toward complete fulfillment.

The output method is used for mass-market services (e.g., voice and data services provided monthly to users) as well as for system solutions (e.g., equipment installation, where the time between the start of work and service delivery is not long and/or both parties regularly confirm the work performed). The input method is mainly used for complex system solutions (e.g., the development of a solution tailored to a specific customer that takes a longer time), where revenue is recognized monthly based on costs incurred to reflect progress toward complete fulfillment in periods where mutual confirmations have not yet been received.

The total amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2024, amounts to KM 8,715 thousand (Note 41), all of which is expected to be recognized as revenue within the next 24 months. When revenue is recognized over time based on accrued revenue, the Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied).

When determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the payment terms agreed by the parties (explicitly or implicitly) provide the customer or the Group with a significant financing benefit in relation to the transfer of goods or services to the customer.The Group applies the practical expedient not to consider a significant financing component if the maximum period between the transfer of goods or services and payment by the customer is one year or less.

The standard defines the accounting treatment of individual contracts with customers. However, it is also permissible to apply the standard to a portfolio of contracts, provided that: the contracts grouped in the portfolio have similar characteristics and applying the standard to the portfolio does not result in materially different outcomes compared to accounting on an individual contract basis.

The Group applies revenue recognition in accordance with IFRS 15 to both contract portfolios and individual contracts. The standard is applied to contract portfolios for mass-market products, while for customized solutions it is applied at the level of individual contracts. The portfolio is defined within each relevant business segment and is established in accordance with the usual requirements for contract-level alignment.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue recognition (continued)

Dividend Income

Dividend income is recognized when the Group's right to receive payment is established.

Subscriber acquisition costs, advertising and related expenses

Subscriber acquisition and retention costs are recognized as an expense in the period in which they are incurred. Additional contract acquisition costs that would not have been incurred if the contract had not been obtained (e.g., sales commissions, cash bonuses for acquiring new or retaining existing customers) are capitalized, as they are expected to be recovered in future periods. The costs of advertising, promotion, sponsorship, communications, brand marketing are recognized as an expense in the period of occurrence.

Leases

The Group assesses whether a contract is or contains, a lease at the inception of the contract. A contract is or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee uses its incremental borrowing rate. The Group determines the incremental borrowing rate by obtaining interest rates from various external sources and makes necessary adjustments to reflect the lease term and the nature of the leased asset.
Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives received;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease.

The lease liability is presented as part of financial liabilities at amortized cost under Note 38.A) Lease liabilities.

The lease liability is subsequently measured at amortized cost using the effective interest method, increasing the carrying amount to reflect interest on the lease liability and reducing it to reflect lease payments made.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Leases (continued)

The Group as a lessee (continued)

The Group remeasures the lease liability (and adjusts the corresponding right-of-use asset) whenever:

- The lease term has changed or there has been a significant event or change in circumstances that results in a change in the assessment of the purchase option being exercised. In such cases, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- Lease payments change due to changes in indexes or rates or changes in expected payments below the guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease changes arise from a change in variable interest rates, in which case the revised discount rate is used).
- The lease contract is modified and the modification is not accounted for as a separate lease. In such cases, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate applicable at the date of the modification.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement date, less any lease incentives received and any initial direct costs. Subsequently, it is measured at cost less accumulated depreciation and impairment losses.

Whenever the Group has an obligation for dismantling and removing the leased asset, restoring the site where it is located or restoring the leased asset to the condition required by the lease terms and conditions, a provision is recognized and measured in accordance with IAS 37. To the extent the costs relate to the right-of-use asset, they are included as part of the related right-of-use asset, unless such costs are incurred for the production of inventories.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the asset. If the lease transfers ownership of the underlying asset or if the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the associated right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation begins on the lease commencement date. Right-of-use assets are presented in a separate note in the statement of financial position.

As a practical expedient, IFRS 16 permits lessees not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has applied this practical expedient for contracts where lease components are not separated from other components. For contracts that include a lease component and one or more additional non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative stand-alone price of the lease component and the aggregate stand-alone prices of the non-lease components.

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Leases (continued)

The Group as a lessor

The Group enters into lease agreements as a lessor.

Leases for which the Group is the lessor are classified as either finance leases or operating leases. Whenever the lease terms substantially transfer all the risks and rewards of ownership to the lessee, the lease is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as either a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment in respect of the leases. When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract to each component.

Employee benefits

On behalf of its employees, the Group pays income tax as well as pension, disability, health and unemployment insurance contributions on and from salaries, which are calculated at statutory rates during the year on gross wages. The Group pays these taxes and contributions to the institutions of the Federation of Bosnia and Herzegovina, at the federal and cantonal levels, the Republic of Srpska and Brčko District. Furthermore, allowances for meals, transportation to/from and holidays are paid in accordance with local legislation. These expenses are recorded in the statement of comprehensive income in the period in which salary costs incurred.

Retirement benefits

The Group pays severance upon retirement in the amount of KM 12,000 per employee. The Group has no other plans regarding payments to its employees or management after the retirement date in Bosnia and Herzegovina.

Severance costs upon retirement are determined using the projected unit credit method, with actuarial valuations performed at each reporting date. Gains and losses arising from actuarial valuations are recognized in other comprehensive income in full in the period in which they occur.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognized past service costs.

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Finance income and expenses

Finance income comprises interest income on invested funds (including financial assets held for sale), default interest calculated on trade receivables, dividend income and positive changes in the fair value of financial instruments through the statement of comprehensive income. Interest income is recognized on an accrual basis in the statement of comprehensive income using the effective interest method.

Finance expenses comprise interest expenses (including lease interest under IFRS 16) and the unwinding of discounts on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in the statement of comprehensive income using the effective interest method. Foreign exchange gains and losses are recognized on a net basis.

Foreign currencies

Transactions in currencies other than Convertible Marks are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are not denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Gains and losses arising on exchange are included in the statement of profit and loss for the period when they incur.

Taxation

Income tax includes current and deferred tax.

Current Income Tax

The current tax liability is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit and loss and other comprehensive income because it excludes items of income and expenses that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates have been enacted or substantively enacted by the reporting period date.

Deferred Income Tax

Deferred tax is the amount of income tax payable or recoverable in future periods as a result of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized. Deferred tax is calculated using tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

3. MATERIAL ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognized in profit or loss, except when it relates to items recognized directly in equity, in which case the deferred tax is also recognized directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle them on a net basis.

Intangible assets

Intangible assets are stated at acquisition cost less accumulated amortization and impairment losses and are amortized on a straight-line basis over their useful lives. Amortization is calculated based on the estimated useful life of the asset using the straight-line method as follows:

	2024	2023
Licenses	1 to 8.3 years	1 to 8.3 years
Software	5 years	5 years
Other intangible assets	2 to 25 years	2 to 25 years

Content costs are recognized as intangible assets (IPTV content, included under the item *Concessions, patents, licenses, software and other rights*) at the beginning of the contract, provided that the following conditions are fulfilled in order for contracts with content providers to be recognized as intangible assets:

- The contract term must be longer than one year,
- The cost is determined or determinable,
- The contracted rights must be of a permanent nature,
- The costs under the contract are inevitable,
- Termination conditions are not defined or, if defined, relate to breaches of material rights, force majeure, bankruptcy or similarly severe circumstances.

Assets recognized under such contracts are amortized over the term of the contract. Content contracts that do not meet the capitalization criteria are recognized as an expense and presented under "Other operating expenses and costs" in the statement of comprehensive income.

Costs of own content production (audiovisual, movie and multimedia content) or acquiring reproduction rights for third-party content are recognized as intangible assets (included under Other intangible assets) when the following criteria are met: the asset is identifiable, the Group controls the asset and the asset is expected to generate future economic benefits. The asset is recognized if: a) it is probable that the expected future economic benefits attributable to the asset will flow to the Group and, b) the cost of the asset can be reliably measured.

(All amounts are presented in thousands of KM, unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Property, plant and equipment

Property, plant and equipment are initially measured at acquisition cost, less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price and all directly attributable costs necessary to bring the asset to working condition for its intended use. Ongoing maintenance and repair costs, replacements and minor capital maintenance are recognized as expenses when incurred. The costs of significant capital maintenance and replacements are capitalized.

Assets under construction, which are being built for the purpose of providing services or for administrative use, are stated at acquisition cost less any impairment losses. The acquisition cost also includes professional fees. Such assets are reclassified to the appropriate categories of property, plant and equipment once they are completed and ready for their intended use.

Depreciation begins when the asset is ready for its intended use. Depreciation is calculated based on the estimated useful life of the asset, using the straight-line method as follows:

	2024	2023
Buildings	5 to 77 years	5 to 77 years
Distributors	14.25 to 40 years	14.25 to 40 years
Switchboards and portable devices	2 to 12.5 years	2 to 12.5 years
Other tangible assets	2 to 10 years	2 to 10 years

Gains and losses arising from the disposal or derecognition of property, plant and equipment are recognized in the statement of comprehensive income in the period in which they occur.

Consolidation

The consolidated financial statements comprise the Group and its subsidiaries (together "the Group"), together with the Group's share in associates, if any.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of assets

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets, other than inventories and deferred tax assets, to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated to determine the extent of impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset (or the cash-generating unit).

If the estimated recoverable amount of an asset (or cash-generating unit) is lower than its carrying amount, then the carrying amount of that asset (or cash-generating unit) is reduced to its recoverable amount.

The impairment losses are recognized immediately in profit or loss statement.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

The reversal of an impairment loss is recognized as income immediately in profit or loss statement.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, if applicable, direct labor costs and those overheads that have been incurred in bringing the inventory to their present location and condition. Cost is determined using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and selling costs.

Impairment is recognized for inventories that are damaged, in whole or in part out of date or retained longer in stock, useless (stocks of poor quality and technologically obsolete stocks).

Donations

Donations for assets, which include non-cash donations, are initially recognized as deferred income at fair value, which is recognized as income from donations on a systematic basis over the useful lives of these assets. Deferred revenue is recognized in income in the amount of depreciation on a straight-line basis over the estimated period of future economic life of the donated asset.

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) because of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are released only for such expenditures in respect of which provision are recognized at inception. If the outflows of economic benefits to settle the obligations is no longer possible, the provision is reversed.

Financial Instruments

Financial Assets

The Group classifies its financial assets into the following measurement categories:

a. assets subsequently measured at fair value (or through other comprehensive income or through profit or loss),
b. assets measured at amortized cost.

Trade receivables are initially recognized when they originate. All other financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset at fair value plus transaction costs directly attributable to the acquisition of the financial asset, in cases where the financial asset is not measured at fair value through profit or loss.

There are three measurement categories into which the Group classifies its debt instruments.

a) Amortized cost: Assets held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI), are measured at amortized cost. The Group classifies the following financial assets in this category: Trade receivables; Cash and cash equivalents and Other financial assets that meet the SPPI classification test and are held within a business model of "hold to collect."
b) Fair value through other comprehensive income (FVOCI): Assets held both for the collection of contractual cash flows and for selling the financial assets, where the cash flows represent solely payments of principal and interest, are measured at FVOCI.
c) Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at FVTPL.

The Group subsequently measures all equity instruments at fair value through other comprehensive income.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of Non-Derivative Financial Assets

The Group recognizes impairment losses for expected credit losses (ECL) related to:

- Financial assets measured at amortized cost (such as debt instruments, deposits, loans given to employees, trade receivables and other receivables)
- Contract assets.

The Group measures the impairment amount equal to the lifetime expected credit losses, except for the following, which are measured based on 12-month expected credit losses:

- Debt instruments that have low credit risk at the reporting date; and
- Other instruments and balances with banks for which the credit risk has not significantly increased since initial recognition.

Impairment of trade receivables (including lease receivables) and contract assets is always measured at the amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on the Group's historical experience and informed credit assessments, including forward-looking information.

The Group considers that the credit risk of a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired (in default) when the debtor is unlikely to pay its credit obligations to the Group in full, without the recourse by the Group to actions such as realizing collateral (if any is held) or when the financial asset is more than 90 days past due (three months).

The Group considers a financial instrument has low credit risk if its credit rating is equivalent to the globally accepted definition of "investment grade."

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

Measurement of Expected Credit Losses

Expected credit losses are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the entity in accordance with the contract and the cash flows the Group expects to receive). These expected losses are discounted using the effective interest rate of the financial asset.

For debt instruments measured at amortized cost or FVOCI, the Group estimates expected credit losses based on forward-looking information, irrespective of whether there are any indications of impairment.

For current trade receivables without a significant financing component, the Group applies the simplified approach and measures lifetime expected credit losses from initial recognition.

The Group uses the impairment matrix by which the impairment losses are calculated for trade receivables according to their age structure or maturity periods.
To measure expected credit losses, trade receivables are grouped on the basis of common credit risk characteristics, non-recovery analysis is carried out over the previous 5 years to determine the overall ratio of entering into default.

Default rates are calculated for the following aging intervals: up to 30 days; 31 to 60 days; 61 to 90 days; 90 to 365 days; and over 365 days past due.

The Group applies a three-stage impairment model for financial assets, excluding trade receivables:

a) Stage 1 – consists of the amount for which the credit risk has not increased significantly from the moment of initial recognition. Expected credit losses are determined based on the probability of entering a default status within the next 12 months (i.e., the total expected credit loss multiplied by the probability that the loss occur over the next 12 months).

b) Stage 2 – consists of the amounts for which a significant increase in the credit risk from the initial recognition period has been identified, but for which no objective evidence of impairment exists. Expected credit losses are based on the probability of entering a default status during the term of the contract.

c) Stage 3 – consists at amounts for which there is objective evidence of impairment.

Trade receivables are classified into either Stage 2 or Stage 3:

a) Stage 2 – consists of receivables for which a simplified approach to measurement of expected credit losses is applied during the term of the contract, except for certain customer receivables classified in Stage 3.

b) Stage 3 – consists of receivables from customers that have matured more than 365 days or for which an impairment loss is individually identified.

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Financial Instruments **(continued)**

Presentation of Expected Credit Losses in the Statement of Financial Position

Financial assets are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and concludes that there is no reasonable expectation of recovery. This usually occurs when the asset is at least 365 days past due.

Write-off

Financial assets are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and concludes that there is no reasonable expectation of recovery. This usually occurs when the asset is at least 365 days past due.

The Group derecognizes a financial asset only when the contractual rights to the cash flows expire or when it transfers the financial asset and substantially all the risks and rewards of ownership to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for the amounts it may have to pay.

In the case of derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the consideration received and receivable is recognized in the statement of profit or loss. Furthermore, upon derecognition of an investment in a debt instrument measured at FVOCI, the cumulative gain or loss previously recognized in the revaluation reserve is reclassified to profit or loss. For equity instruments where the FVOCI option has been elected, gains or losses on disposal are not recognized in profit or loss.

Financial liabilities

Financial liabilities are initially recognized at fair value less transactions costs and are subsequently measured at amortized cost using the effective interest rate. The Group derecognizes financial liabilities when and only when the Group's liabilities have ceased, cancelled or expired.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash outflows (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period.

Equity and reserves

Shareholders' equity

Shareholders' equity includes paid in ordinary shares and is expressed in KM at nominal value.

Retained earnings

Profit for the year after distribution to the owners and allocations to other reserves is allocated to retained earnings.

3. MATERIAL ACCOUNTING POLICIES (*continued*)

Equity and reserves (*continued*)

Statutory reserves

Statutory reserves are formed by transfers of at least 10% of realized profit stated by the yearly income statement over a period of 5 years, until they reach a minimum of 25% of the Group's shareholders' equity.

The Group announces basis and diluted earnings per share. The basic earnings per share are calculated by dividing the profit for the current period for the ordinary shareholders of the Group, weighted by the average number of ordinary shares, during the period, excluding ordinary shares purchased from the Group and classified as treasury shares.

Fair Value Reserves

Fair value reserves for financial assets classified as financial assets at fair value through other comprehensive income include changes in the fair value of these assets.

Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Group's shareholders.

Earnings per Share

The Group discloses basic and diluted earnings per share. The basic earnings per share are calculated by dividing the profit for the current period for the ordinary shareholders of the Group, weighted by the average number of ordinary shares, during the period, excluding ordinary share, during the period, excluding ordinary shares purchased from the Group and classified as treasury shares. During 2024 and 2023, there were no dilution effects.

4. USE OF JUDGMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 3, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimations. The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affects both current and future periods.

Information on judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the financial statements is provided in the following notes:

- **Note 3, Note 6: Revenue recognition:** whether revenue is recognized over time or at a point in time**;**
- **Note 3, Note 6: Revenue recognition**: whether the contract with the customer contains one or more performance obligations;
- **Note 3, Note 44**: **Leases**: Whether the agreement contains a lease;

4. USE OF JUDGEMENTS AND ESTIMATES *(continued)*

- **Note 3, Note 44**: **Leases**: whether the Group is reasonably certain to exercise the option to extend the lease term;
- **Note 3, Note 26**: **Intangible assets**: whether the contract for content costs (IPTV services) and own production costs meet the criteria for recognition as intangible assets?

Assumptions and estimation uncertainties

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period data, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Note 3: Useful life of assets** – The Group reassesses the useful life of property, plant and equipment and intangible assets at the reporting date. This is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and is heavily dependent on the Group's investment plans. Further, due to significant weight of depreciable assets in the Group's total assets, the impact of significant changes in these assumptions could be material to the financial position and results of operations.

- **Note 3: Impairment of trade receivables and contract assets** - Impairment allowance for receivables and contract assets is based on estimated credit losses, calculated using a default rate. The default rate represents the actual credit risk, i.e., the probability that receivables will not be collected. The calculation of the default rate is based on the Group's historical data on the collection of trade receivables.

- **Note 3: Inventory impairment** - Management adjusts the carrying amount of inventories when net realizable value is estimated as lower than the purchase cost. For inventories over three years which will in the future be consumed in the production process or in the process of rendering services and for which is not possible to determine the net realizable value, partial write-off is performed using the percentages of 10% to 100% depending on the type and age of inventories in accordance with the accounting policies.

- **Note 3: Provisions for court proceedings -** The amount which has been recognized as provision for legal proceedings are estimation of expenses which are required to settle the liabilities when the possibility that there will be expenses are greater than that there will not be any expenses. In estimating the provisions, the Group considers legal experts' advice and Management estimates.

- **Note 3: Provisions for employee benefits** - Present value of liabilities for retirement benefits depends on many factors which are determined on actuary basis. The most significant assumptions include discount factor, mortality rates, expected increases in the employee benefits. Changes in assumptions can impact the carrying amount of liabilities.

4. USE OF JUDGMENTS AND ESTIMATES (continued)

4.1 DETERMINATION OF FAIR VALUE

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The Group has established a control framework with respect to the measurement of fair values.

Fair values is measured based on information collected from third parties, the Management and the finance function assess the evidence obtained from third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards, including the level within the fair value hierarchy into which those estimates should be classified.

Fair values are categorized into different levels within the fair value hierarchy based on the inputs used in valuation techniques, as follows:

• *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities.

• *Level 2* - inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

• *Level 3* - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information regarding the assumptions made in determining fair value is included in the following Notes:

- **Note 3: Financial instruments**
- **Note 49: Financial instruments**

5. OPERATING SEGMENTS

By the decision of the Management Board of the Group applicable as of 1 January 2016, one business segment was established. Reporting on the Group's business at the same time is also reporting on segment BH Telecom. Segment tracking by the Management Board is based on monitoring revenue, earnings, EBITDA, operating cash flows and capital investments.

(All amounts are presented in thousands of KM, unless otherwise stated)

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2024	2023
Revenue from sale of goods on the domestic market		
Revenue from sale of goods	65,594	61,905
	65,594	**61,905**
Revenue from services rendered in the domestic market		
Mobile telephony	249,753	238,842
Bundle (Moja TV)	57,046	54,157
Fixed telephony	41,192	44,566
Internet services (BiHNET)	75,240	66,072
National traffic	11,090	11,915
Data transfer (BiHPAK)	2,516	2,508
VPN ("Top tim" and "Moja porodica")	821	891
Customer loyalty	1,408	477
Telegraph	30	34
Other services	3,755	2,994
	422,851	**422,458**
Revenue from services (foreign market)		
MPLS Services VPN	11,114	11,503
Moja WEB TV foreign	22	21
Roaming services	8,722	9,282
	19,858	**20,806**
Total Revenue from contracts with customers	**528,303**	**505,169**

Disaggregation of revenue from contracts with customers

	2024	2023
Primary geographic markets		
- Bosna and Hercegovina	508,445	484,363
- Foreign markets	19,858	20,806
Total Revenue from contracts with customers	**528,303**	**505,169**
Main products/services		
- Goods and products	65,594	61,905
- Services	462,709	443,264
Total Revenue from contracts with customers	**528,303**	**505,169**

(All amounts are presented in thousands of KM, unless otherwise stated)

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (*continued*)

Disaggregation of revenue from contracts with customers (*continued*)

	2024	2023
Timing of revenue recognition		
- At the point of transaction	65,594	61,905
- Over time	462,709	443,264
Total Revenue from contracts with customers	**528,303**	**505,169**
Principal / Agent		
- Principal	527,643	504,619
- Agent	660	550
Total Revenue from contracts with customers	**528,303**	**505,169**

Balances arising from contracts with customers

The following table provides information about receivables, contract assets and contract liabilities arising from contracts with customers:

	2024	2023
Trade receivables (*Note 32*)	129,262	122,014
Contract assets (*Note 31*)	7,263	9,787
Accrued revenue (*Note 36*)	2,326	2,079
Contract liabilities (*Note 41*)	(8,715)	(9,437)
	130,136	**124,443**

The contract assets primarily relate to the Group's rights to consideration from multiple element arrangements and discounts. The contract assets are transferred to receivables when rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers for activated but unused prepaid GSM cards, prepaid subscriptions, loyalty programs or unused material rights under customer contracts. This will be recognized as revenue when the service is consumed by the customer, which is expected to occur in the next year. The amount of KM 7,481 thousand included in contract liabilities was recognized as revenue in 2024 (2023: KM 7,809 thousand).

Accrued revenue relate to revenue accrued based on settlements with other telecommunications operators. Considering periodic billing, which is common practice between operators, the accrued revenue has been recognized for those receivables for which invoice has not been issued.

(All amounts are presented in thousands of KM, unless otherwise stated)

7. OTHER INCOME AND GAINS

	2024	2023
Other income and gains		
Lease income	5,342	5,033
Collected written-off receivables	3,308	4,269
Write-off liabilities, cancelled provisions	3,427	2,939
Income from assignment of broadcasting rights of audiovisual (AV) content	264	253
Income from donations	84	164
Income from incentives for the production of audiovisual works	-	1,551
Other income and gains	4,757	3,108
	17,182	***17,317***
Finance income		
Interest income		
Interest income - assets measured at amortized cost	6,251	4,029
Penalty interest from contracts with customers	608	497
	6,859	*4,526*
Net foreign exchange rate gains	257	-
Other finance income	342	666
	7,458	***5,192***
Net gains from derecognition of right-of-use assets and lease liabilities	1,162	-
Surpluses and other positive inventory adjustments	-	2
	1,162	***2***
Total Other income and gains	**25,802**	**22,511**

Other income mainly relates to penalty income in the amount of KM 1,698 thousand (2023: KM 1,068 thousand), income from insurance claim settlements in the amount of KM 409 thousand (2023: KM 399 thousand) and various other income. Certain other income items have been recognized in accordance with the requirements of IFRS 15, but are presented as other income to comply with the Bylaw of the content and form of the financial statements for companies issued by the Federal Ministry of Finance of FBiH.

8. COST OF GOODS SOLD

	2024	2023
Cost of goods sold	62,228	62,855
	62,228	**62,855**

9. RAW MATERIALS

	2024	2023
Raw materials and supplies consumed	2,946	3,234
Spare parts consumed	50	313
Write-off of small inventory	249	102
Price discrepancy	(80)	(49)
	3,165	**3,600**

(All amounts are presented in thousands of KM, unless otherwise stated)

10. ENERGY AND FUEL

	2024	2023
Electricity consumed	9,152	8,444
Heating costs	1,001	1,087
Other fuel consumed	1,377	1,605
	11,530	**11,136**

11. SALARIES AND OTHER EMPLOYEE'S BENEFITS

	2024	2023
Gross salaries	114,794	114,322
Internally capitalized employee expenses	(3,992)	(3,906)
Other employee benefits	36,947	32,186
Expenses of other engaged persons, including board members	583	317
	148,332	**142,919**

The Group had 2,958 employees as at 31 December, 2024, which is 40 fewer compared to 31 December 2023 (2,998 employees). Employee expenses include contributions of KM 29,558 thousand (2023: KM 29,080 thousand) paid into the pension fund. Other compensations include additional salary allowances, business travel expenses, meal and transportation allowances for employees and other benefits. In 2024, a one-time bonus of KM 4,290 thousand was additionally paid to employees.

12. DEPRECIATION AND AMORTIZATION

	2024	2023
Property, plant and equipment	67,197	64,314
Intangible assets	12,405	12,070
Right-of-use assets	25,263	24,387
Other non-current asset from contracts with customers	14	17
	104,879	**100,788**

13. SERVICES

	2024	2023
Maintenance	24,275	22,753
Advertising and marketing	6,362	8,468
Sales intermediation	6,822	7,108
Services related to final processing of outputs	2,546	2,239
Research	238	212
Lease	120	95
Other services	2,323	8,622
	42,686	**42,389**

Other costs relate to cleaning services, waste disposal, water supply, healthcare services, as well as intellectual services such as auditing, legal, consulting and other services.

(All amounts are presented in thousands of KM, unless otherwise stated)

14. OTHER OPERATING EXPENSES AND COSTS

	2024	2023
Postage and telecommunications services	59,369	58,653
Taxes, fees, levies	17,247	15,604
Insurance premium costs	1,756	1,763
Payment operations	1,129	893
Membership's contributions	687	784
Representation	340	422
Other operating expenses	2,234	1,856
	82,762	**79,975**

15. LOSSES FROM NON-CURRENT NON-FINANCIAL ASSETS

	2024	2023
Net losses from the disposal of property, plant and equipment	1,475	1,271
Net impairment losses on property, plant and equipment	293	257
Net losses from the disposal of intangible assets	38	1
Net impairment losses on intangible assets	-	1,079
	1,806	**2,608**

Based on the analysis conducted by the Impairment Review Committee in accordance with IAS 36, an impairment of inventory related to investment materials and equipment (recognized as assets under construction) was made in the amount of KM 293 thousand as at 31 December 2024.

16. LOSSES ON FINANCIAL ASSETS

	2024	2023
Impairment of trade receivables (regular receivables) – Note 32	4,779	4,397
Impairment of trade receivables (installments) – Note 32	150	78
Impairment of cash and cash equivalents, deposits and other financial assets and contract assets	160	50
Direct write-off of receivables	25	32
Other losses from financial assets	4	310
	5,118	**4,867**

(All amounts are presented in thousands of KM, unless otherwise stated)

17. PROVISION EXPENSES

	2024	2023
Provisions for unused vacations days	6,945	6,847
Provisions for retirement benefits	1,535	6,788
Provisions for court proceedings	3,457	1,463
Other provisions	-	90
	11,937	**15,188**

18. SHORTAGES AND OTHER NEGATIVE ADJUSTMENTS TO INVENTORIES

	2024	2023
Impairment of inventories	577	549
Shortages	2	1
	579	**550**

19. SHARE IN THE LOSS OF AN ASSOCIATE AND JOINT VENTURE USING THE EQUITY METHOD

	2024	2023
Other losses	-	44
	-	**44**

20. FINANCE COST

	2024	2023
Interest expense		
Interest expense for right-of-use assets	1,799	2,084
Interest expense for equipment dismantling	259	469
Discount interest	330	382
Penalty interest expense	143	19
	2,531	***2,954***
Net negative foreign exchange rate differences	-	123
	2,531	**3,077**

(All amounts are presented in thousands of KM, unless otherwise stated)

21. OTHER EXPENSES AND LOSSES

	2024	2023
Write-off of raw materials, supplies, spare parts and small inventory	69	575
Expenses from write-offs of other assets and receivables	79	-
Other expenses	3,917	4,030
	4,065	**4,605**

22. INCOME TAX

The total income tax recognized in the statement of comprehensive income may be presented as follows:

	2024	2023
Current income tax		
Current year	7,447	5,358
	7,447	**5,358**
Deferred income tax		
Effect of decrease in deferred tax assets	1,332	1,903
Effect of increase in deferred tax assets	(2,662)	(3,009)
Effect of increase in deferred tax liabilities	1,607	1,911
Effect of decrease in deferred tax liabilities	(1,354)	(1,405)
	(1,077)	**(600)**
Income tax	**6,370**	**4,758**

Reconciliation between income tax presented in tax return and accounting income tax is presented as follows:

	2024	2023
Profit before tax	**72,331**	**53,144**
Tax liability at the statutory rate of 10%	7,233	5,314
Tax effects:		
Effects of non-deductible expenses for the current year	93	105
Tax incentives – expenses for salaries of new employees	(1,005)	(770)
Tax credit – income tax for Brčko District	(130)	(101)
Tax credit – income tax for Republika Srpska	(45)	(29)
Income tax for Republika Srpska	49	40
Income tax for Brčko District	174	147
Previously used tax exemptions that are no longer justified	1	52
Income tax expense	**6,370**	**4,758**
Effective income tax rate	8.81%	8.95%

22. INCOME TAX *(continued)*

Income tax calculations are performed based on the Group's interpretation of current tax laws and regulations. These calculation which support the tax return may be subject to review and approval by the local tax authorities.

In accordance with the applicable laws, the Tax Administration has the discretionary right to determine the tax treatment of the business activities and transactions of any taxpayer. Accordingly, changes in business activity may be treated differently by the Tax Administration. As a result, the Group may be subject to additional taxes, penalties and interest, which can be significant.

(All amounts are presented in thousands of KM, unless otherwise stated)

22. INCOME TAX (*continued*)

Changes in temporary differences of deferred tax assets and deferred tax liabilities can be presented as follows:

	Net amount as at 31 December 2023					Balance as at 31 December 2024		
	Deferred tax assets	Deferred tax liabilities	Recognized in the statement of comprehensive income	Recognized in other comprehensive income	Recognized directly in equity	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	3,905	-	818	-	-	4,723	4,723	-
Property, plant and equipment	-	(2,073)	(253)	-	-	(2,326)	-	(2,326)
Inventories	368	-	(24)	-	-	344	344	-
Deposits and cash	152	-	31	-	-	183	183	-
Provisions for court proceedings	667	-	441	-	-	1,108	1,108	-
Liabilities for employees' benefits	883	-	(41)	-	-	842	842	-
Other provisions	171	-	10	-	-	181	181	-
Trade receivables	916	-	95	-	-	1,011	1,011	-
Net tax asset / (liability)	**7,062**	**(2,073)**	**1,077**	**-**	**-**	**6,066**	**8,392**	**(2,326)**

23. EARNINGS PER SHARE

	2024	2023
Profit (in KM)	**65,960,883**	**48,386,551**
Weighted average number of ordinary shares	63,457,358	63,457,358
Basic and diluted earnings per share (in KM)	**1.039**	**0.763**

(All amounts are presented in thousands of KM, unless otherwise stated)

24. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plants, equipment, furniture and vehicles	Other non-current tangible assets	Assets under construction	Advances for tangible assets	Total
COST							
As at 1 January 2023	16,361	1,091,224	692,555	125	98,888	5	1,899,158
Increases	-	-	20		49,685	-	49,705
Decreases	-	(800)	(40,913)	-	(1,517)	-	(43,230)
Transfers from/(to) intangible assets	(12)	(128)	99	-	(5)	-	(46)
Transfer from/(to)	76	44,008	46,680	-	(90,764)	-	-
Other	(10)	-	1,721	-	(294)	-	1,417
As at 31 December 2023	**16,415**	**1,134,304**	**700,162**	**125**	**55,993**	**5**	**1,907,004**
Increases	-	-	77	-	78,198	(4)	78,271
Decreases	-	(245)	(33,850)	-	(1,164)	-	(35,259)
Transfers from/(to) intangible assets	(12)	148	107	-	2,395	-	2,638
Transfer from/(to)	62	12,410	45,794	-	(70,334)	-	(12,068)
Other	2	114	(2,843)	-	(2,735)	-	(5,462)
As at 31 December 2024	**16,467**	**1,146,731**	**709,447**	**125**	**62,353**	**1**	**1,935,124**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
As at 1 January 2023	1,411	745,496	555,704	-	-	-	1,302,611
Depreciation for the year	75	22,512	43,096	-	-	-	65,683
Decreases	-	(547)	(40,725)	-	-	-	(41,272)
Transfers from/(to) intangible assets	(4)	(64)	66	-	-	-	(2)
Other	1	-	(3,283)	-	-	-	(3,282)
As at 31 December 2023	**1,483**	**767,397**	**554,858**	**-**	**-**	**-**	**1,323,738**
Depreciation for the year	34	22,489	44,674	-	-	-	67,197
Decreases	-	(208)	(33,591)	-	-	-	(33,799)
Transfers from/(to) intangible assets	-	169	85	-	-	-	254
Other	-	(26)	(2,132)	-	-	-	(2,158)
As at 31 December 2024	**1,517**	**789,821**	**563,894**	**-**	**-**	**-**	**1,355,232**
CARRYING AMOUNT							
As at 1 January 2023	**14,950**	**345,728**	**136,851**	**125**	**98,888**	**5**	**596,547**
As at 31 December 2023	**14,932**	**366,907**	**145,305**	**125**	**55,993**	**5**	**583,267**
As at 31 December 2024	**14,950**	**356,910**	**145,553**	**125**	**62,353**	**1**	**579,892**

(All amounts are presented in thousands of KM, unless otherwise stated)

24. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December, 2024, the Group has recorded 813 properties. Out of these, 769 properties were registered in the land registry. The registration process is ongoing for the remaining 44 properties.

In 2024, the Group recognized an impairment loss of KM 293 thousand on investment equipment that had not been in use for one or more years (31 December 2023: KM 267 thousand).

During 2024, the Group changed the useful life of a part of its equipment (new terminal equipment, access devices and xDSL equipment), which resulted in an extension of the useful life and a reduction of the estimated annual depreciation expense by KM 691 thousand.

Assets under construction mainly relate to the Directorate building in Bihać, which is currently under construction (KM 4,454 thousand), as well as initiated projects related to the construction or expansion of the network.

25. RIGHT-OF-USE ASSETS

	Buildings	Land	Equipment	Total
Cost				
As at 1st January 2023	62,357	41,132	354	103,843
Additions	2,570	3,595	161	6,326
Disposals	(6,631)	(7,388)	(31)	(14,050)
As at 31 December 2023	**58,296**	**37,339**	**484**	**96,119**
Additions	8,278	12,406	74	20,758
Disposals	(1,928)	(8,026)	0	(9,954)
As at 31 December 2024	**64,646**	**41,719**	**558**	**106,923**
ACCUMULATED DEPRECIATION				
As at 1st January 2023	16,732	11,301	94	28,127
Depreciation for the year	7,389	4,635	46	12,070
Disposals	(935)	(1,701)	(2)	(2,638)
As at 31 December 2023	**23,186**	**14,235**	**138**	**37,559**
Depreciation for the year	8,004	4,351	50	12,405
Disposals	(296)	(2,994)	0	(3,290)
As at 31 December 2024	**30,894**	**15,592**	**188**	**46,674**
CARRYING AMOUNT				
As at 1st January 2023	45,625	29,831	260	75,716
As at 31 December 2023	**35,110**	**23,104**	**346**	**58,560**
As t 31 December 2024	**33,752**	**26,127**	**370**	**60,249**

25. RIGHT-OF-USE ASSETS *(continued)*

The Group leases several types of assets, including land, buildings and equipment. The average lease term is 10 years (2023: 10 years). A small portion of leases for land and buildings expired during the current financial year. The expired contracts were replaced with new leases for the same underlying assets and new lease agreements were entered into during the year.

The increase in right-of-use assets, which includes new contracts or extensions of existing ones, amounts to KM 20,758 thousand, while the decrease, which includes expired contracts and derecognition of road and public land, amounts to KM 6,664 thousand.

(All amounts are presented in thousands of KM, unless otherwise stated)

26. INTANGIBLE ASSETS

	Concessions, patents, licenses, software and other rights	Other intangible assets	Intangible assets under construction	Advances	Total
COST					
As at 1st January 2023	142,993	107,215	1,614	71	251,893
Additions			39,694	23	39,717
Disposals	(7,350)	(2,546)	1	-	(9,895)
Transfers from/(to) intangible assets	140	(99)	5	-	46
Transfers (from)/to	19,367	14,940	(34,307)	-	-
Other	(7,238)	-	-	-	(7,238)
As at 31 December 2023	**147,912**	**119,510**	**7,007**	**94**	**274,523**
Additions	-	-	15,941	(37)	15,904
Disposals	(31,482)	(4,784)	(11)	-	(36,277)
Transfers from/(to) intangible assets	-	(243)	7,741	-	7,498
Transfers (from)/to	8,033	14,748	(22,781)	-	-
As at 31 December 2024	**124,463**	**129,231**	**7,897**	**57**	**261,648**
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
As at 1st January 2023	103,401	84,005	-	-	187,406
Amortization for the year	16,219	8,397	-	-	24,616
Disposals	(7,350)	(1,873)	-	-	(9,223)
Transfers from/(to) intangible assets	85	(81)	-	-	4
Other	(495)	260	-	-	(235)
As at 31 December 2023	**111,860**	**90,708**	**-**	**-**	**202,568**
Amortization for the year	16,144	9,119	-	-	25,263
Disposals	(31,482)	(4,781)	-	-	(36,263)
Transfers from/(to) intangible assets	-	(254)	-	-	(254)
Other	6	(178)	-	-	(172)
As at 31 December 2024	**96,528**	**94,614**	**-**	**-**	**191,142**
CARRYING AMOUNT					
As at 1st January 2023	39,592	23,210	1,614	71	64,487
As at 31 December 2023	**36,052**	**28,802**	**7,007**	**94**	**71,955**
As at 31 December 2024	**27,935**	**34,617**	**7,897**	**57**	**70,506**

Of the net carrying amount of licenses and other rights of KM 27,935 thousand as at 31 December 2024 (31 December 2023: KM 36,052 thousand), an amount of 10,123 thousand KM relates to the LTE telecommunications license, which also includes GSM and UMTS and is valid until June 2034.

(All amounts are presented in thousands of KM, unless otherwise stated)

27. LOANS GIVEN

	31 Dec 2024	31 Dec 2023
Non-current		
Loans given to employees	211	367
Less: Current portion of non-current loans	*(146)*	*(159)*
Less: Impairment loss	*(1)*	*(1)*
	64	**207**
Current		
Current portion of non-current loans	146	159
Less: Impairment loss	*(4)*	*(5)*
	142	**154**
Total Loans given	**206**	**361**

Changes in the impairment of loans given can be presented as follows:

	2024	2023
Opening balance	**6**	**8**
Change in impairment during the year – Note 16	(1)	(2)
Closing balance	**5**	**6**

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec, 2024	31 Dec, 2023
Eutelsat Communications, Pariz, France	2,478	4,707
	2,478	**4,707**

In 2007, the Group purchased 552,064 shares of Eutelsat Communications, Paris, France, for an amount of KM 17,589 thousand. In 2014, the Group received 22,314 additional shares from this issuer as a result of a dividend payout amounting to KM 946 thousand, bringing the total number of shares held by the Group to 574,378, which represents 0.2% of the total shares. No dividends were received in 2024 or 2023. The shares are traded on the Paris Stock Exchange and are measured at fair value, based on which a fair value reserve has been recognized.

(All amounts are presented in thousands of KM, unless otherwise stated)

28.FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (*continued*)

Movements in the fair value of these shares were as follows:

	2024	2023
Opening balance	**4,707**	**7,914**
(Decrease) / increase in fair value of financial assets at fair value through other comprehensive income – Eutelsat Communications, Paris, France	(2,229)	(3,207)
Closing balance	**2,478**	**4,707**

29. A) BANK DEPOSITS

	31 Dec 2024	31 Dec 2023
Non-current bank deposits		
ASA Banka d.d. Sarajevo	22,000	13,000
Raiffeisen Bank d.d. BiH	-	9,779
Ziraat Bank BH d.d. Sarajevo	3,000	8,000
Addiko Banka d.d. Sarajevo	-	6,000
Intesa San Paolo Banka d.d. BiH	3,000	4,000
ProCredit Bank d.d. Sarajevo	-	3,000
Union Banka d.d.	16,000	1,000
Bosna Bank International d.d. Sarajevo	18,000	-
Sparkasse bank d.d. BiH	2,000	-
Privredna banka d.d.	3,000	-
Less: Impairment loss	*(162)*	*(95)*
	66,838	**44,684**
Current bank deposits		
ASA Banka d.d. Sarajevo	-	6,000
Bosna Bank International d.d. Sarajevo	-	5,000
Sparkasse bank d.d. BiH	-	5,000
ProCredit Banka d.d. Sarajevo	3,000	5,000
Addiko Bank d.d.	6,000	-
Privredna banka Sarajevo d.d. Sarajevo	4,000	-
Raiffeisen Banka d.d.	19,558	
Intesa Sanpaolo bank d.d.	1,000	-
Union Banka d.d.	11,900	-
Less: Impairment loss	*(86)*	*(44)*
	45,372	**20,956**
Total Bank deposits	**112,210**	**65,640**

(All amounts are presented in thousands of KM, unless otherwise stated)

29. A) BANK DEPOSITS *(continued)*

As at 31 December 2024, term deposits relate to cash funds deposited with commercial banks at an interest rate ranging from 1.15% to 3.03% per annum. The deposits mature during the period 2025–2027.

Changes in the impairment allowance of deposits can be presented as follows:

	2024	2023
Opening balance	**139**	**200**
Change in impairment during the year – Note 16	109	(61)
Closing balance	**248**	**139**

29. B) BONDS

	31 Dec 2024	31 Dec 2023
Non-current bonds of domestic issuers	19,372	-
Total bonds	**19,372**	**-**

In 2024, the Group made investments by acquiring ASA Finance d.d. bonds with a nominal value of KM 4,810 thousand (maturing in 2029) and the Government of the Federation of Bosnia and Herzegovina bonds with a nominal value of KM 14,730 thousand (maturing in 2032).

30. INVENTORIES

	Dec 31 2024	Dec 31 2023
Material	6,294	4,826
Goods at sales locations	4,987	3,103
Goods in warehouse	1,380	1,322
Advances for inventories	1,072	1,101
Small inventory	31	1,044
Spare parts	397	364
Work in progress	1	137
Finished products	64	84
Car tires	39	39
	14,265	**12,020**

During 2024, the impairment and write-offs of obsolete inventory in the total amount of KM 646 thousand (2023: KM 1,124 thousand) has been recognized.

(All amounts are presented in thousands of KM, unless otherwise stated)

31. CONTRACT ASSETS

	31 Dec 2024	31 Dec 2023
Non-current		
Contract assets	5,179	6,615
Less: Impairment loss	(49)	-
	5,130	**6,615**
Current		
Contract assets	2,153	3,172
Less: Impairment loss	(20)	-
	2,133	**3,172**
	7,263	**9,787**

The contract assets primarily relate to the Group's rights to consideration from multiple element arrangements e.g. mobile contract plus mobile device, with subsidized products delivered in advance or discounts granted for services for a period shorter than a contract term. The contract assets are transferred to receivables when rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Changes in the impairment allowance of contract assets can be presented as follows:

	2024	2023
Opening balance	-	-
Change in impairment during the year	69	-
Closing balance	**69**	**-**

(All amounts are presented in thousands of KM, unless otherwise stated)

32. TRADE RECEIVABLES

	31 Dec 2024	31 Dec2023
Non-current		
Trade receivables for services provided in Bosnia and Herzegovina	15,660	14,362
Receivables discount	(764)	(700)
Less: Impairment loss	*(150)*	*(124)*
	14,746	**13,538**
Current		
Trade receivables for services provided in Bosnia and Herzegovina	156,237	151,986
Trade receivables for provided services abroad	5,443	5,727
Trade receivables - related parties	**161,680**	**157,713**
	(47,164)	*(49,237)*
Less: Impairment loss	**114,516**	**108,476**
	129,262	**122,014**

Changes in the impairment allowance of trade receivables can be presented as follows:

	2024	2023
Opening balance	**49,361**	**52,021**
Impairment (receivables) – Note 16	4,779	4,397
Impairment (installments) – Note 16	150	78
Collection of written-off receivables – Note 7	(3,308)	(4,269)
Write-off	(3,668)	(2,866)
Closing balance	**47,314**	**49,361**

The Group believes that there is no concentration of credit risk related to trade receivables due to a large and diverse customer base consisting of both individual and business users.

The aging structure of trade receivables is presented as follows:

	2024	2023
0 –30 days	122,746	115,337
30 – 60 days	5,391	5,589
60 – 90 days	953	726
90 – 365 days	4,043	3,816
Over 364 days	44,207	46,607
Total trade receivables	**177,340**	**172,075**

(All amounts are presented in thousands of KM, unless otherwise stated)

33. OTHER FINANCIAL ASSETS AT AMORTIZED COST

	31 Dec 2024	31 Dec 2023
Other financial assets		
Time-restricted designated deposit – ASA Banka d.d.	300	300
Total other financial assets at amortized cost	**300**	**300**

34. CASH AND CASH EQUIVALENTS

	31 Dec 2024	31 Dec 2023
Term cash deposits up to 3 months	200,775	250,454
Cash in bank accounts - KM	45,261	61,850
Cash in bank accounts - foreign currencies	991	797
Cash on hand	12	11
	247,039	**313,112**
Less: Impairment loss	(594)	(638)
	246,445	**312,474**

Changes in the impairment allowance of cash and cash equivalents can be presented as follows:

	2024	2023
Opening balance	**638**	**536**
Change in impairment during the year – Note 16	(44)	102
Closing balance	**594**	**638**

(All amounts are presented in thousands of KM, unless otherwise stated)

35. PREPAID INCOME TAX AND INCOME TAX LIABILITIES

	2024	2023
Prepaid corporate income tax	28	28
Corporate income tax liabilities	(2,412)	-
	(2,384)	**28**
Withholding tax	(1)	8
	(2,385)	**36**

36, OTHER ASSETS AND RECEIVABLES, INCLUDING ACCRUALS

	Dec 31 2024	Dec 31 2023
Non-current		
Other assets and receivables	122	303
	122	**303**
Current		
Other assets and receivables		
Receivables for VAT	1,628	2,597
Receivables from employees	467	505
Receivables from the state and other institutions	285	275
Receivables for overpaid other taxes and contributions	2,024	72
Receivables for unpaid dividends	1,220	446
Receivables for funds paid for clearing international telecom transactions	10,613	6,846
Receivables for funds transferred to a notary for obligations subject to court disputes (AV rights)	9,170	7,761
Other assets and receivables	2,708	4,560
	28,115	**23,062**
Less: Impairment of other assets and receivables	*(2,053)*	*(2,026)*
	26,062	**21,036**
Total accrued revenue, prepaid expenses and other accruals		
Accrued revenue (abroad)	2,015	1,827
Accrued revenue (domestic)	311	252
Prepaid expenses	2,097	1,867
Other current accruals	374	145
	4,797	**4,091**
	30,859	**25,127**
Total other assets and receivables, including accruals	**30,981**	**25,430**

Accrued revenue relate to revenue accrued based on settlements with other telecommunications operators. Considering periodic billing, which is common practice between operators, the accrued revenue has been recognized for those receivables for which invoice has not been issued.

(All amounts are presented in thousands of KM, unless otherwise stated)

36. OTHER ASSETS AND RECEIVABLES, INCLUDING ACCRUALS (*continued*)

Changes in impairment allowance of other assets and receivables, including accruals, can be presented as follows:

	2024	2023
Opening balance	**2,026**	**2,015**
Change in impairment during the year – Note 16	27	11
Closing balance	**2,053**	**2,026**

37. EQUITY

Subscribed equity

Shareholders' equity comprises of 63,457,358 ordinary shares with nominal value of KM 10. The majority shareholder is the Federation of Bosnia and Herzegovina.

Ownership structure of the Group as at the reporting date was as follows:

		31 Dec 2024		31 Dec 2023	
		%	Value	%	Value
1	Federation of Bosnia and Hercegovina	90.0043	571,144	90.0043	571,144
2	Džambić Senad	0.8724	5,536	0.8724	5,536
3	Babić Una	0.5284	3,353	0.5284	3,353
4	ASA Banka d.d. Sarajevo	0.4796	3,043	0.4794	3,042
5	ZIF Crobih Fond d.d. Mostar	0.4276	2,714	0.4299	2,728
6	ZIF Prof Plus d.d. Sarajevo	0.4128	2,620	0.4128	2,620
7	ZIF Prevent invest d.d. Sarajevo	0.3766	2,390	0.3766	2,390
8	ZIF Fortuna Fond d.d.	0.2212	1,404	0.2212	1,404
9	ZIF Herbos Fond d.d. Tuzla	0.1829	1,160	0.1829	1,160
10	UniCredit Bank d.d. Mostar	0.1438	913	0.1690	1,072
11	Šećkanović Nail	0.1264	802	0.1438	913
12	ZIF "BONUS" d.d. Sarajevo	0.0969	615	0.1264	802
13	OAIF "VIB FOUND"	0.0942	598	0.0969	615
14	Čaušević Adnan	0.0731	464	0.0731	464
15	Čišija Adnan	0.0643	408	0.0601	381
	Top 15 shareholders in total	**94.1046**	**597,164**	**94.1772**	**597,624**
	Other legal and natural persons	5.8954	37,410	5.8228	36,950
	Ending balance	**100.00**	**634,574**	**100.00**	**634,574**

(All amounts are presented in thousands of KM, unless otherwise stated)

37. EQUITY (*continued*)

Statutory reserves

Statutory reserves stated in the amount of KM 306,645 thousand (2023: KM 306,645 thousand) were formed in previous years from operating results in accordance with the Law on Business Companies of the Federation of Bosnia and Herzegovina.

Fair value reserves

Fair value reserves in the amount of KM 16,056 thousand (2023: KM 13,827 thousand) relate to unrealized losses following the change in fair value of shares in Eutelsat Communications, Paris, France in 2024. Loss recognized on change of fair value of financial assets at fair value through the comprehensive income for 2024 amounts to KM 5,042 thousand (2023: BAM 4,219 thousand).

Actuarial gains and losses

Other revaluation reserves in the amount of KM 5,042 thousand (2023: KM 4,219 thousand) relate to actuarial losses based on the calculation of provisions for employee benefits. Actuarial losses for the current year amount to KM 823 thousand (2023: actuarial gains of KM 1,756 thousand).

Retained earnings

Retained earnings in the amount of KM 115,949 thousand (2023: KM 132,991 thousand) were formed from previous results in the amount of KM 49,988 thousand and current period profit of KM 65,961 thousand. In 2024, the owner made a decision to allocate profit from previous periods in the amount of KM 81,003 thousand for dividend payments to shareholders and donations in the amount of KM 2,000 thousand, of which KM 69,185 thousand was paid to shareholders by the end of 2024, while liabilities from previous periods in the amount of KM 41 thousand were written off.

38. A) LEASE LIABILITIES

	31 Dec 2024	31 Dec 2023
Non-current lease liabilities	62,660	60,601
Less: Current portion of non-current lease liabilities	(14,296)	(10,613)
	48,364	***49,988***
Current portion of lease liabilities	14,296	10,613
	14,296	***10,613***
	62,660	**60,601**

(All amounts are presented in thousands of KM, unless otherwise stated)

38. A) LEASE LIABILITIES (*continued*)

Analysis of lease liabilities by maturity:

				31 Dec 2024
Description	**Land**	**Buildings**	**Equipment**	**Total**
1st year	6,306	7,925	65	14,296
2nd year	5,365	7,593	65	13,023
3rd year	5,104	7,491	67	12,662
4th year	4,784	**7,855**	**75**	12,714
over 4 years	5,479	4,315	171	9,965
Total:	**27,038**	**35,179**	**443**	**62,660**

The Group does not face significant liquidity risk regard to its lease liabilities. Lease obligations are settled in accordance with their maturity.

38. B) OTHER FINANCIAL LIABILITIES AT AMORTISED COST

	31 Dec 2024	31 Dec 2023
Liabilities related to the acquisition of Moja TV content	3,517	6,947
Less: Current portion of liabilities	(2,490)	(5,616)
	1,027	***1,331***
Current portion of liabilities related to the acquisition of Moja TV content	2,490	5,616
	2,490	***5,616***
	3,517	**6,947**

Other financial liabilities amounting to KM 3,517 thousand relate to liabilities arising from capitalized broadcasting rights for programs and content on Moja TV, based on content acquisition agreements.

39. PROVISIONS

	31 Dec 2024	31 Dec 2023
Provisions for retirement benefits	17,519	16,462
Provision for court proceedings	11,897	8,551
Provision for dismantling	6,801	6,383
Other non-current accruals	13	421
	36,230	**31,817**

(All amounts are presented in thousands of KM, unless otherwise stated)

39. PROVISIONS (*continued*)

The movements in provisions for retirement benefits can be presented as follows:

	2024	2023
Opening balance	**16,462**	**18,485**
Provisions during the year – *Note 17*	1,535	1,463
Utilization during the year	(1,301)	(1,731)
Actuarial (gain)/loss	823	(1,755)
Closing balance	**17,519**	**16,462**

As at 31 December 2024, the Group made provisions for severance payments based on an actuarial calculation, using a severance payment base of KM 12 thousand per employee upon retirement. The key assumptions used for the purpose of actuarial valuation can be presented as follows:

	2024	2023
Discount rate	3.75%	3.75%
Employee turnover rate	To 1.00%	0.80%
Mortality rate	Mortality tables of the Federation BiH from 2012 up to 2014 year	
The rate used for the increase in the average salary within the Group	3.89%	2.50%

The movements in provisions for court proceedings can be presented as follows:

	2024	2023
Opening balance	**8,551**	**5,925**
Increase / (Decrease) in provisions – Note 17	3,457	6,801
Decrease due to payments	(111)	(4,175)
Closing balance	**11,897**	**8,551**

Additional information on court proceedings is disclosed in Note 46.

Movements in provisions for equipment dismantling costs at leased locations can be presented as follows:

	2024	2023
Opening balance	**6,383**	**-**
Transfer from lease liabilities	-	5,505
Increase due to additional provisions for new contracts	159	409
Interest unwinding (Note 20)	259	469
Closing balance	**6,801**	**6,383**

(All amounts are presented in thousands of KM, unless otherwise stated)

40. TRADE PAYABLES

	31 Dec 2024	31 Dec 2023
Trade payables - domestic suppliers	43,048	35,048
Trade payables - foreign suppliers	10,892	11,429
	53,940	**46,477**

41. CONTRACT LIABILITIES

	31 Dec 2024	31 Dec 2023
Customer prepayments – prepaid services (traffic)	5,029	4,935
Customer prepayments – billing	1,102	925
Customer prepayments – network fee	400	441
Customer prepayments – MojaWebTV	32	29
Contract liabilities – material rights	2,152	2,910
Loyalty program	-	195
	8,715	**9,435**

Customer prepayments for prepaid services (traffic), billing, network fees and MojaWebTV refers to customer payments for services not invoiced or provided. Contract liabilities – material rights mainly relate to obligations toward customers that have not yet been fulfilled, i.e., customers' rights to claim discounts on devices during the term of the contractual relationship.

42. DEFERRED INCOME

	31 Dec 2024	31 Dec 2023
Non-current		
Deferred income from donations	208	284
	208	**284**
Current		
Advances received		
Other advances received	127	243
	127	**243**
Deferred income		
Liability for joint operations	299	184
Deferred income from donations	75	84
	374	**268**
	501	**511**
	709	**795**

(All amounts are presented in thousands of KM, unless otherwise stated)

43. OTHER LIABILITIES, INCLUDING ACCRUALS

	31 Dec 2024	31 Dec 2023
Non-current other liabilities		
Other liabilities	2	2
	2	**2**
Current other liabilities, including accruals		
Accrued expenses/accruals	28,615	28,243
Employee liabilities	14,108	13,249
VAT liabilities	3,420	4,468
Liabilities for received deposits and payments	2,274	1,629
Dividend liabilities	12,224	446
Liabilities for profit donations	522	22
Other liabilities	14,104	11,245
	75,267	**59,302**
Total Other liabilities, including accruals	**75,269**	**59,304**

Within accrued expenses/accruals (KM 28,615 thousand), the largest amount relates to accrued expenses for which no invoice has been received, amounting to KM 18,631 thousand (this includes accrued fees for AV rights) and accrual for employees' unused vacation days amounting to KM 6,945 thousand.

44. LEASES

The Group as lessee

The Group leases land, buildings and parking plots. Lease agreements were signed during the period from 2010 to 2024. The lease durations vary depending on each specific contract. The lease agreements have different maturities, ranging from a few months to 50 years. For certain types of contracts, the Group assumes a probability of exercising the lease extension option.

Right-of-use assets and lease liabilities

The Group presents the right-of-use assets in Note 25 and the lease liabilities Note 38 A).

Amounts recognized in the total comprehensive result

	31 Dec 2024	31 Dec 2023
Depreciation	12,405	12,070
Interest expenses	1,799	2,084

Amounts recognized in the statement of cash glows

	31 Dec 2024	31 Dec 2023
Lease payments	13,861	14,188

44. LEASES (*continued*)

The Group as lessor

The Group has classified leases as operating leases because it does not transfer substantially all of the risks and rewards incidental to ownership of the asset. Lease income recognized by the Group during 2024 amounts to KM 5,342 thousand (2023: KM 5,033 thousand). Part of the leased assets relates to network infrastructure, both domestically and internationally, which is a common practice in the telecommunications sector. The income based on these leases amounted to KM 1,257 thousand (2023: KM 1,632 thousand). The remaining recognized amount relates to the lease of land, equipment and office space. Given the legal regulations and business practices in the telecommunications sector, in the coming periods, until there are significant changes in the legal framework, the Group expects to continue generating lease income at approximate level as in 2024 on an annual basis..

45. CONTINGENCIES AND COMMITMENTS

As at 31 December 2024, the Group had contingent liabilities for issued guarantees to third parties in the amount of KM 4,036 thousand. As at the reporting date, the Group had the following capital commitments:

- commitments for investments in amount of KM 72,439 thousand (31 December 2023: KM 80,258 thousand);
- commitments for purchases of mobile devices and computer equipment in the amount of KM - thousand (31 December 2023: KM 166 thousand);
- commitments for concluded contracts for services for "My TV" and other advertising and promotional services in amount of KM 62,533 thousand (31 December 2023: KM 61,488 thousand);
- rental and maintenance contracts and other in amount of KM 42,532 thousand (31 December 2023: KM 41,387 thousand);
- commitments for a 5% salary increase effective from 1 January 2025, amounting to KM 5,730 thousand increase at annual level.

46. COURT CASES

As at 31 December 2024, litigations against the Group in total amount of KM 92,749 thousand are ongoing.

Litigation with employees

The most significant ongoing litigation in the amount of KM 40,334 thousand, was initiated on 5 February 2020, by the BH Telecom Trade Union against the Group, seeking compensation for damages under the Collective Agreement. The claim relates to compensation for lost profit due to the non-issuance and non-transfer of shares and unpaid dividends. Based on a court decision, the proceedings are currently suspended.

The remaining lawsuits relate to individual claims by employees regarding the issuance and transfer of shares to employees in the amount of 5% of the Group's share capital, with a nominal share value of KM 10. These claims also seek compensation for lost profit for the period from the adoption of the sectoral collective agreement on 4 December 2006, until the date of the court decision.

46. COURT CASES *(continued)*

Litigation with employees (continued)

As at 10 March 2017, the Supreme Court of the FBiH issued a Decision on a disputed legal issue, stating that the protection of rights under Article 84 of the Collective Agreement for the Telecommunications Sector in FBiH – regarding the transfer of the corresponding portion of shares to employees or the payment of the monetary equivalent of shares – can be pursued by an employee of the BH Telecom d.d. Sarajevo in court proceedings only after the share issuance has been carried out, at which point the employee gains legal standing in an individual civil lawsuit. Based on the opinion of the Executive Directorate for Legal Affairs, Organizational Management and Human Resources of the Group, it is unlikely for the Group to lose this case.

A significant number of litigations have been initiated by employees against the Group for unpaid wages during a strike, as well as a number of other lawsuits arising from or related to employment. The total value of these other employee-related lawsuits amounts to KM 1,665 thousand, for which a provisions of KM 93 thousand is recognized. Provisions have been recognized for litigations where, based on the opinion of the Executive Directorate for Legal Affairs, Organizational Management and Human Resources, it is believed that the final outcome is likely to be unfavorable for the Group.

Other litigation

Other disputes arose in the course of the Group's regular operations and their total value as at 31 December 2024 amounts to KM 50,750 thousand, with provisions of KM 11,805 thousand recognized and a payment of KM 5,940 thousand made in a previous period. Included in this amount are disputes in the amount of KM 39,196 thousand related to audio-visual rights fees for which provisions of KM 5,323 thousand have been recognized. Details of the audio-visual right litigation are as follows:

- In December 2024, a claim in the amount of KM 25,305 thousand related to the determination and infringement of copyright has been received. Based on the opinion of the Executive Directorate for Legal Affairs, Organizational Management and Human Resources, the final outcome will be in favor of the Group, except for a portion of the claim for which a provision of KM 232 thousand has been recognized.
- In previous years, several claims for compensation for cable retransmission of audiovisual works to a collective organization for past years (up to and including 2022) were filed against the Group. The value of these lawsuits amounts to KM 13,891 thousand, with provisions of KM 5,091 thousand recognized. The Group does not dispute its obligation to pay compensation for cable retransmission of audiovisual works to a collective organization, but the current dispute concerns which Group organization holds the rights to collect the fees. Therefore, from 2017 to the end of 2024, the Group, based on its own estimate, recognized the expense and liability and deposited KM 9,170 thousand intended for settling obligations related to the compensation. A portion of the principal will be paid once the authorized entity for collective rights is determined (Note 36. *Other assets and receivables, including accruals* and Note 43. *Other liabilities*). Additional provision has been recognized in cases where the Executive Directorate for Legal Affairs, Organizational Management and Human Resources estimates that the expected outcome of the lawsuits will result in future cash outflows exceeding the accrued amount of liability.

For the remaining litigations, based on the opinion of the Executive Directorate for Legal Affairs, Organizational Management and Human Resources, provisions have been recognized when the unfavorable outcome is expected.

(All amounts are presented in thousands of KM, unless otherwise stated)

47. RELATED PARTY TRANSACTIONS

The Group is majority-owned by the Government of the Federation of Bosnia and Herzegovina. Below are significant transactions with companies controlled by the Government of FBiH. Other transactions with government-controlled companies are not individually significant, they arise during regular business.

	31 Dec 2024	31 Dec 2023
Sale of products/goods and services *		
JP Hrvatske telekomunikacije d.o.o. Mostar	5,075	5,029
JP Elektroprivreda BiH d.d. - Sarajevo	1,988	1,676
JP BH POŠTA d.o.o. Sarajevo	687	616
Lutrija Bosne i Hercegovine d.o.o. Sarajevo	264	287
Union banka d.d. Sarajevo	155	204
Other related parties:	1,252	1,344
	9,421	**9,156**
Purchase of products/goods and services from related parties *		
JP BH POŠTA d.o.o. Sarajevo	14,611	16,517
JP Elektroprivreda BiH d.d. - Sarajevo	7,869	7,599
JP Hrvatske telekomunikacije d.o.o. Mostar	5,606	5,667
Energoinvest d.d. Sarajevo	451	807
JP "Elektroprivreda HZ HB" d.d. Mostar	424	440
Lutrija Bosne i Hercegovine d.o.o. Sarajevo	180	265
Other related parties:	465	882
	29,606	**32,177**

** Amount shown including VAT*

(All amounts are presented in thousands of KM, unless otherwise stated)

47. RELATED PARTY TRANSACTIONS (continued)

The following amounts remained outstanding at the end of the reporting period, arising from transactions with related parties:

	31 Dec 2024	31 Dec 2023
Receivables		
JP Hrvatske telekomunikacije d.o.o. Mostar	477	459
JP Elektroprivreda BiH d.d. - Sarajevo	382	294
JP BH POŠTA d.o.o. Sarajevo	98	63
ArcelorMittal Zenica d.o.o. Zenica	25	43
Lutrija Bosne i Hercegovine d.o.o. Sarajevo	22	24
Other related parties:	183	189
	1,187	**1,072**
Liabilities		
JP BH POŠTA d.o.o. Sarajevo	1,250	1,422
JP Elektroprivreda BiH d.d. - Sarajevo	661	576
Energoinvest d.d. Sarajevo	102	119
JP Hrvatske telekomunikacije d.o.o. Mostar	515	455
Other related parties:	121	140
	2,649	**2,712**

The following remunerations were paid during the year to the members of the Management Board and Supervisory Board (key management personnel):

	2024	2023
Gross remuneration to Management Board members	1,311	1,117
Gross remuneration to Supervisory Board members	244	138
	1,555	**1,255**

Liabilities for gross remunerations to members of the Management Board and Supervisory Board as at 31 December 2024 (key management personnel):

	2024	2023.
Liabilities for gross remuneration to Management Board members	92	85
Liabilities for gross remuneration to Supervisory Board members	18	16
	110	**101**

(All amounts are presented in thousands of KM, unless otherwise stated)

48. FINANCIAL INSTRUMENTS

Accounting classification and fair value

Financial instruments are classified into the following fair value categories:

	Note	31 Dec, 2024	31 Dec, 2023
Financial assets			
Financial assets measured at fair value			
Fair value through other comprehensive income			
Investment in equity instruments in telecommunications companies, Eutelsat Paris		18,534	18,534
Fair value adjustment of financial assets measured at fair value through other comprehensive income		(16,056)	(13,827)
	28	**2,478**	**4,707**
Financial assets not measured at fair value			
At amortized cost			
Cash and cash equivalents	34	246,445	312,474
Bank deposits	29.A)	112,210	65,640
Bonds	29.B)	19,372	-
Other financial assets at amortized cost	33	300	300
Trade receivables	32	129,262	122,014
Loans given	27	206	361
Other assets and receivables	36	30,981	25,430
		538,776	**526,219**
Financial liabilities			
Financial liabilities not measured at fair value			
At amortized cost			
Lease liabilities	38A)	62,660	60,601
Other financial liabilities at amortized cost	38B)	3,517	6,947
Trade payables	40	53,940	46,477
Contract liabilities	41	8,715	9,435
Other liabilities	43	68,281	52,455
		197,113	**175,915**

48. FINANCIAL INSTRUMENTS *(continued)*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in, the valuation technique(s) and inputs used).

Financial Assets / Financial Liabilities	**Fair value as at (date)**		**Hierarchy of fair value**	**Valuation techniques and inputs**
	31 Dec 2024	**31 Dec 2023**		
1) Non-derivative financial assets at fair value through other comprehensive income (Note 29)	Listed equity securities quoted on the stock exchange in France – KM 2,478 thousand	Listed equity securities quoted on the stock exchange in France – KM 4,707 thousand	Level 1	Prices quoted on an active market

For certain other financial instruments, such as cash and cash equivalents, current financial assets measured at amortized cost, trade receivables, other assets and receivables, trade payables, contract liabilities and other liabilities, the carrying amount approximates fair value due to their immediate or short-term maturity. For bank deposits, the carrying amount is approximately equal to fair value because the Group has deposited funds at market rates and there have been no significant changes in these rates. The acquired bonds were purchased during 2024 and the purchase price is approximately equal to the fair value at the reporting date.

Financial instruments – Risk management

The Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

Framework for risk management

The finance department within the Executive Directorate for Economic and Financial Affairs of the Group coordinates access to domestic and international financial markets. Financial risks are monitored through a risk catalog submitted to the quality representative within the executive directorate, who further collaborates with the Directorate for Management System Development. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and interest rate cash flow risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(All amounts are presented in thousands of KM, unless otherwise stated)

48. FINANCIAL INSTRUMENTS (*continued*)

Credit risk (continued)

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of many customers, spread across diverse industries and geographical areas. The Group does not have and significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The carrying value of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The carrying amount of financial assets and contract assets represents the maximum credit risk exposure at the reporting date, as follows:

	Note	**31 Dec 2024**	**31 Dec 2023**
Cash and cash equivalents	34	246,445	312,474
Bank deposits	29.A)	112,210	65,640
Bonds	29.B)	19,372	-
Other financial assets at amortized cost	33	300	300
Trade receivables	32	129,262	122,014
Loans given	27	206	361
Other assets and receivables	36	30,981	25,430
Contract assets	31	7,263	9,787
		546,039	**536,006**

Cash and cash equivalents and deposits

The Group is exposed to credit risk through cash accounts and deposits held with banks. As at 31 December 2024, the Group cooperated with 13 banks (2023: 13 banks). Risk management is focused on dealing with most reputable banks in foreign and domestic ownership and on contacts with banks on daily basis. Given that the aforementioned funds are kept with banks, the Group considers them to have a low credit risk based on the evaluations of external companies that deal with credit risk evaluation. The Group recognized loss allowance for cash and cash equivalents in the amount of KM 593 thousand (2023: KM 638 thousand) and loss allowance for deposits in the amount of KM 248 thousand (2023: KM 139 thousand).

(All amounts are presented in thousands of KM, unless otherwise stated)

48. FINANCIAL INSTRUMENTS (*continued*)

Credit risk (continued)

Trade receivables and contract assets

The focus of management of credit risk related with trade receivables and contract assets is on trade receivables. Trade receivables are distributed across a significant number of clients in various industries and geographic regions. The Group does not have significant exposure to any single customer or group of customers with similar characteristics. The maximum exposure to credit risk at the reporting date for trade receivables by region is

	31 Dec, 2024	31 Dec, 2023
Receivables from domestic customers	124,061	116,517
Receivables from foreign customers	5,201	5,497
	129,262	**122,014**

The Group applies a 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. Contract assets is unbilled sales amount relating to performance obligation that has been satisfied under customer contract but is conditional on terms other than only the passage of time before payment of the consideration is due. When due, contract assets are recognized as trade receivables with agreed payment due dates and are included in loss allowance calculation.

Based on past analysis the termination rate did not result in amounts of value adjustments that would have material effects to the financial statements. The Group has therefore concluded that the expected loss rates for trade receivables are reasonable approximation of the loss rates for the contract assets.

Expected loss rates are based on payment profiles of sales over a 60 months. The historical loss rates are adjusted to reflect current and future information on macroeconomic factors affecting the ability of the customers to settle receivables.

(All amounts are presented in thousands of KM, unless otherwise stated)

48. FINANCIAL INSTRUMENTS (*continued*)

Credit risk (continued)

Trade receivables and contract assets (continued)

The Group has recognized an impairment allowance for expected credit losses on all trade receivables as at 31 December 2024, as follows:

	Weighted average loss rate	Gross carrying amount	Impairment and effect of discounting	Net carrying amount	Credit impaired
0 – 30 days	1.53%	122,746	1,880	120,866	No
Overdue 31 – 60 days	4.01%	5,391	216	5,175	No
Overdue 61 – 90 days	15.22%	953	145	808	No
Overdue 90 – 365 days	40.32%	4,043	1,630	2,413	Yes
Overdue over 365 days	100.00%	44,207	44,207	-	Yes
Total		**177,340**	**48,078**	**129,262**	

The presentation of credit risk for not due, unimpaired receivables and the aging structure of overdue, unimpaired receivables at 31 December 2023, is as follows:

	Weighted average impairment rate	Weighted average impairment rate	Impairment and discount effect	Net carrying amount	Credit impaired
0 – 30 days	1.44%	115,337	1,660	113,677	No
Overdue 31 – 60 days	4.22%	5,589	236	5,353	No
Overdue 61 – 90 days	16.25%	726	118	608	No
Overdue 90 – 365 days	37.74%	3,816	1,440	2,376	Yes
Overdue over 365 days	100.00%	46,607	46,607	-	Yes
Total		**172,075**	**50,061**	**122,014**	

Changes in impairment losses are disclosed in Note 32.

(All amounts are presented in thousands of KM, unless otherwise stated)

48. FINANCIAL INSTRUMENTS (*continued*)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Management, which has built an appropriate liquidity risk management framework according to the Group's requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table provides a detailed overview of the remaining contractual maturities of the Group's non-derivative financial assets.

Contractual maturities of non-derivative financial assets:

Description	Weighted average interest rate	Carrying amount	Contractual cash flows	Up to 1 month	2 - 6 months	7 - 12 months	1 - 5 years	1 - 5 years
31 December 2024								
Non-interest bearing		206,624	206,624	136,163	23,932	30,212	16,195	122
Fixed interest rate instruments	2.28%	332,151	345,716	202,790	28,148	18,708	79,126	16,944
TOTAL		**538,775**	**552,340**	**338,953**	**52,080**	**48,920**	**95,321**	**17,066**
31 December 2023								
Non-interest bearing		210,351	210,351	134,887	30,184	23,102	21,874	304
Fixed interest rate instruments	1.50%	315,868	316,595	250,454	11,000	10,149	44,992	-
TOTAL		**526,219**	**526,946**	**385,341**	**41,184**	**33,251**	**66,866**	**304**

The following table provides a detailed overview of the remaining contractual maturities of the Group's non-derivative financial liabilities. The table is prepared based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group may be required to make a payment.

(All amounts are presented in thousands of KM, unless otherwise stated)

48. FINANCIAL INSTRUMENTS (*continued*)

Liquidity risk (continued)

Maturity of non-derivative financial liabilities:

Description	Weighted average interest rate	Net carrying amount	Contractual cash flows	Up to 1 month	2 to 6 months	7 to 12 months	1 to 5 years	Over 5 years
31 December 2024								
Lease liabilities	3.05%	62,660	67,996	1,925	6,144	7,946	44,534	7,447
Other financial liabilities	-	3,517	3,517	208	1,037	1,244	1,028	-
Trade payables	-	53,940	53,940	43,048	10,892	-	-	-
Contract liabilities	-	8,715	8,715	4,368	2,184	1,446	717	-
Other liabilities	-	68,281	68,281	52,559	402	15,318	-	2
TOTAL		**197,113**	**202,449**	**102,108**	**20,659**	**25,954**	**46,279**	**7,449**
31 December 2023								
Lease liabilities	3.00-3.50%	60,601	66,193	1,384	5,805	5,222	49,534	4,248
Other financial liabilities	-	6,947	6,947	468	2,340	2,808	1,331	
Trade payables	-	46,477	46,477	35,048	11,429	-	-	-
Contract liabilities	-	9,435	9,435	4,344	2,172	1,948	971	-
Other liabilities	-	52,455	52,455	49,407	724	2,322	-	2
TOTAL		**175,915**	**181,507**	**90,651**	**22,470**	**12,300**	**51,836**	**4,250**

Market risk

Market risk is the risk of changes in market prices, such as exchange rates and interest rates. The Group is not significantly exposed to market risk. The objective of managing market risk is to manage and control exposure within acceptable parameters, optimizing the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Group's exposure to market risks or the way it manages and measures the risk.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

(All amounts are presented in thousands of KM, unless otherwise stated)

48. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Funds in currency		Liabilities in currency	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
EUR –Euro	81,153	117,298	9,369	19,406
SDR - Special Drawing Rights	1,356	1,484	78	63
USD – American dollar	3,418	3,367	316	123

Foreign currency sensitivity analysis

The Group is exposed to currency risk in the event of changes in the exchange rates of EUR, USD and SDR. The following table presents an analysis of the effects of a 10% increase or decrease in the value of KM relative to foreign currencies. The 10% rate is used for internal reporting to Management regarding foreign currency risk and represents Management's estimate of reasonably possible changes in foreign exchange rates. The analysis is conducted for assets and liabilities denominated in foreign currencies and represents the adjustment of their values at the end of the period for a 10% change in the foreign currency exchange rate. A positive amount below indicates an increase in profit when KM strengthens by 10% against the relevant currency. For a 10% weakening of KM against the relevant currency, the effect on profit and equity would be the same, but in a negative amount.

Currency	Effects of exchange rate changes (gain or loss)	
	31 Dec 2024	31 Dec 2023
USD – American dollar	310	324
SDR – Special Drawing Rights	128	142

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk since in accordance with the Law on Central Bank of Bosnia and Herzegovina the Convertible Mark (KM) is officially tied to the Euro. Change in the exchange rate would require the amendments of the law and approval by Parliamentary Assembly of Bosnia and Herzegovina.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group places funds at fixed interest rates. The Group's exposures to interest rates on financial assets and financial liabilities are detailed earlier in Note 48.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposures to interest rates for financial instruments at the reporting period date. The analysis is prepared assuming that the number of financial instruments outstanding at the reporting period date was outstanding for the whole year. A 50-basis point increase or decrease (0.5%) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

48. FINANCIAL INSTRUMENTS *(continued)*

Market risk (continued)

Interest rate sensitivity analysis (continued)

If interest rates had been 50 basis points (0.5%) higher/lower and all other variables were held constant, the Group's net result for the year ended 31 December 2024, would have increase/decrease by KM 1,611 thousand (2023: increase/decrease by KM 1,621 thousand).

Price risk

Price risk is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all instruments traded in the market. The maximum exposure to price risk is presented in Note 28.

In the event of an increase or decrease in share prices by 50 basis points (0.5%), assuming all other variables remain unchanged, the total financial result (comprehensive income) for the year ended December 31 2024, would increase/decrease by KM 63 thousand (2023: increase/decrease by KM 120 thousand).

Capital risk management

Capital risk management is conducted in a way that ensures a going concern of the Group while maximizing return to shareholders through the optimization of debt to equity balance.

The equity structure of the Group consists of share capital, reserves, revaluation reserves and retained earnings.

The Group manages its capital and for the purpose of proper capital structure, in accordance with the economic conditions on the market, decides if the retained earnings should be distributed to shareholders, whether to increase or decrease capital, etc.

49 AUDITING EXPENSES

In accordance with a contract to audit of the annual separate and consolidated reports, the Group contracted with KPMG B-H d.o.o. the amount of KM 105,000 without VAT (2023: Ernst & Young d.o.o. Sarajevo, KM 104,857 excluding VAT) and Revik d.o.o. Sarajevo the amount of KM 5,000 without VAT for subsidiary.

The total amount spent on audit and other assurance services in 2024 amounted to KM 110,000 without VAT (2023: Ernst & Young d.o.o. Sarajevo, KM 109,857 without VAT).

50. EVENTS AFTER THE BALANCE SHEET DATE

In January 2025, the Group announced its intention to acquire a controlling stake in Telemach d.o.o. Sarajevo, Bosnia and Herzegovina and Telemach Crna Gora d.o.o. Podgorica, Montenegro. The Group has received a positive opinion from the regulator from Montenegro, while the approval of the regulator in Bosnia and Herzegovina is pending before continuing activities on the acquisition. The Management Board expects that the official opinion of the regulator in Bosnia and Herzegovina will be obtained by the end of 2025.

51. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Group's Management Board on 30 May 2025.

Certified Accountant

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A.I. EXECUTIVE MANAGER FOR ECONOMIC AND FINANCIAL AFFAIRS

Anisa Lojo-Bajrić

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