



Makedonski Telekom AD - Skopje

Financial Statements

For the year ended

31 December 2025

With the Report of the Auditor Thereon

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Independent Auditor's Report

To: Shareholders of
Makedonski Telekom AD - Skopje

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Report on the Audit of the individual financial statements

Opinion

We have audited the individual financial statements of Makedonski Telekom AD - Skopje ("the Company"), which comprise the individual Statement of financial position as at 31 December 2025, and the individual Statement of comprehensive income, individual Statement of cash flow and the individual Statement of changes in equity for the year then ended, and notes to the individual financial statements, including material accounting policy information.

In our opinion, the accompanying individual financial statements present fairly, in all material respects the financial position of the Company as of 31 December 2025, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards applicable in the Republic of North Macedonia¹. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the individual Financial Statements section of our report. We are independent of the Company in accordance with the Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) ("Code of Ethics") published in the Official Gazette of the Republic of North Macedonia no.273 from 30 December 2024, together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of North Macedonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

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 individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

¹ International Standards on Auditing ("ISA") translated and published in the Official Gazette of the Republic of North Macedonia no.273 from from 30 December 2024, effective from 01 January 2025

Key Audit Matter	How the matter was addressed in our audit
<i>Revenue recognition</i>	
<p>As it is disclosed in Note 22 to the individual financial statements, for the year ended 31 December 2025 the Company has recognized Revenue from contracts with customers in the amount of Denar 12,589,809 thousand, as well as disclosures included in Note 2.13 material accounting policies - Revenues to the individual financial statements.</p> <p>This revenue is generated with the rendering of services, i.e. mobile and fixed-network voice and data services and ICT services as well as with the sale of devices and merchandise. The Company records revenue according to the principles of IFRS 15, Revenue from Contracts with Customers, including following the five-step model.</p> <p>Contracts are frequently sold to customers containing a cross subsidy between two or more components, the revenue is determined for every component by distributing the transaction price to the individual components in proportion to their relevant standalone selling prices.</p> <p>Due to the business model and its wide range of services, the accurate recognition of this revenue requires “basic adjustment” to reflect the fair value of the good and/or service with a bundle discount being allocated based on relative standalone selling prices and coordination interaction of a variety of complex IT systems, in which a high number of transactions are initiated, processed and invoiced in an automated manner.</p> <p>There is a presumed risk of material misstatement due to fraud in revenue recognition that is a significant risk.</p> <p>The occurrence and accuracy of revenue recognition from contracts with customers is considered a key audit matter, due to application of professional judgement and estimation uncertainty in revenue recognition criteria with multiple deliverables and in the dynamic development of these complex services, the recognition of revenue with the necessary IT systems was of particular significance in the scope of our audit.</p>	<p>The relevant procedures we performed to address this key audit matter included:</p> <ul style="list-style-type: none"> - In order to assess risks of material misstatement, we first obtained an understanding of the process flows and the internal control related to the recognition of revenue by taking into account the corporate environment and IFRS. - On the basis of the risks of material misstatement identified in the scope of these audit procedures, we selected manual and automated controls as well as related general IT controls from the controls relevant to the audit with respect to revenue recognition. Subsequently, these controls were tested for operating effectiveness to assess their effectiveness in the reporting year. In this context, too, we involved IT specialists. <p>Apart from testing the operating effectiveness, we performed the following substantive procedures in response to identified risks of material misstatement:</p> <ul style="list-style-type: none"> - We assessed the consistency of the application of the revenue recognition policy by reconsidering the accounting policy for the different sources of the Company’s revenues. - We tested the reconciliation of transaction data recorded in the upstream systems to the revenue reported in the general ledger for accuracy and completeness. This also included the examination of manual adjustment postings for revenue. - We examined the customer and contract data used in the analyses by comparing the related contracts with the corresponding data in the master data systems on a sample basis. - Using a listing of transactions recorded during the period, we identified items for testing using sampling selection. We inspected supporting documents, such as sales invoices to determine the price agrees to the approved price list (tariffs). - We examined the customer and contract data used in the analyses by comparing the related contracts with the corresponding data in the master data systems on a sample basis. - We made inquire of personnel involved in activities in areas in which a fraud risk has been identified to obtain their insights about the risk and how controls address the risk. - We used more disaggregated data and performed substantive analytical procedures relating to, comparing revenue reported by month, and by product line and number of subscribers during the current reporting period with comparable periods. - We have tested transactions occurring within proximity before and after the year end, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in agreements and delivery documents.

	<ul style="list-style-type: none"> - We tested the appropriateness of journal entries recorded in the general ledger by making inquiries of individuals involved in the financial reporting process about inappropriate and unusual activity and tested journal entries. We considered whether there was evidence of bias by Management in the significant accounting estimates and judgements relevant to the revenue recognition. We also assessed the overall control environment of the Company and interviewed senior management. <p>No exceptions and material misstatements were identified from our audit procedures performed.</p>
<p><i>Impairment of financial assets</i></p>	
<p>As it is disclosed in Note 7 to the individual financial statements, for the year ended 31 December 2025 the Company has recognized impairment of trade receivables and other financial assets in the amount of Denar 149,220 thousand, as well as disclosures of are included in Note 4 Critical accounting estimates and judgements and Note 2.3.1 Material accounting policies – Financial assets. Further as it is disclosed in Note 7 to the individual financial statements, total balance of impairment loss as at 31 December 2025 is in the amount of Denar 2,117,336 thousand.</p> <p>Allowances for impairment represent the Management Board’s best estimate of the expected credit losses (“ECLs”) within trade receivables and other financial assets measured at amortized cost at the reporting date. We focused on this area as the measurement of allowances for impairment requires the Management Board to make complex assumptions and judgements. The Company calculate allowances for credit losses for trade receivables, based on the ECL model using simplified approach. For larger and international customers impairment allowance is measured on individual basis by using estimate on the aging of account receivable balance and historical write-off experience, customer credit-worthiness and recent changes in customer payment terms. For other customers, impairment allowance is measured on portfolio with collective assessment of ECL level primary based on the aging structure of the receivables and impairment rates.</p> <p>Due to the above factors, including the significantly higher estimation uncertainty stemming from the current volatile economic outlook, slowing economic growth and rising interest rates we considered allowance for impairment of financial assets to be associated with a significant risk of material misstatement in individual financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<p>The relevant procedures we performed to address this key audit matter included:</p> <ul style="list-style-type: none"> - Inspecting the Company’s impairment provisioning methods and models, and assessing their compliance with the requirements of IFRS; - Making relevant inquiries of the Company’s risk management personnel to gain an understanding of the financial asset’s impairment process, IT applications used therein, as well as key data sources and assumptions in the ECL model; - Testing Completeness and accuracy of aging of trade receivable and inspecting aging classification, calculation of days past due and estimation of ECLs; - Examining whether the Company’s financial assets impairment related disclosures in the individual financial statements appropriately address the relevant quantitative and qualitative requirements of the IFRS. <p>For collective impairment allowance:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the key internal rating models for trade receivables and contract assets, and assessing the relevance and reliability of the key data used therein; - Obtaining the forward -looking information and key macroeconomic forecasted variables used in the ECL assessment. Independently assessing the information by reference to publicly available data and corroborating inquiries of the Management Board. Recalculation of selected key parameters within the collective ECL model; <p>No exceptions and material misstatements were identified from our audit procedures performed.</p>

<i>Assumption used in the valuation of inventory</i>	
<p>Based on both ISA and our audit methodology, accounting estimates are areas that involve significant management judgements and require significant auditor attention. Management estimates the net realizable values of inventories taking into account the most reliable evidence available at each reporting date. In addition, management's assessment process is complex and highly judgmental and is based on the assumption for the selling prices for which the future realization may be affected by future technology or other market-driven changes that may reduce future selling prices. Related accounting policies, judgments and estimates are disclosed in Notes 2.4 and 10 in the accompanying financial statements.</p>	<p>The relevant procedures we performed to address this key audit matter included:</p> <ul style="list-style-type: none"> - Inspecting whether the inventory is stated at the lower of cost or net realizable value by testing how management made the accounting estimate and the data on which it is based. The allowance is based on when each item was last sold, and we tested the completeness and accuracy of the inventory aging report and sales prices. Furthermore, when attending the physical inventory counting, we inspected the condition and characteristics of inventory (e.g. damaged inventory, aged or obsolete inventory, or scrapped inventory) and determined what items, if any, are subject of an inventory allowance. We also made inquiries of warehouse and other operational personnel as to inventory that may be slow-moving, damaged or obsolete. <p>No exceptions and material misstatements were identified from our audit procedures performed.</p>

Other Information

The individual financial statements of the Company, Makedonski Telekom AD - Skopje, as at and for the year ended 31 December 2024, were audited by another auditor who issued an unmodified opinion on 21 February 2025.

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

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

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

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

Auditor's Responsibilities for the Audit of the individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards applicable in the Republic of North Macedonia² will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards applicable in the Republic of North Macedonia², we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the individual 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 audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

² International Standards on Auditing ("ISA") translated and published in the Official Gazette of the Republic of North Macedonia no.273 from from 30 December 2024, effective from 01 January 2025

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to 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.

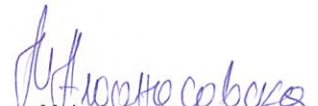
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or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

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


Maja Atanasovska
Director
Grant Thornton DOO, Skopje



Skopje, 20 February 2026


Maja Atanasovska
Certified auditor

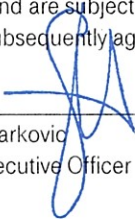
Statement of financial position

In thousands of denars	Note	As at 31 December	
		2025	2024
Assets			
Current assets			
Cash and cash equivalents	5	817,587	1,344,547
Deposits with banks	6	307,475	-
Trade receivables	7	3,212,901	3,111,800
Other current financial assets	8	47,092	8,350
Other current assets	9	264,048	234,632
Contract assets	22.1	273,041	262,984
Inventories	10	432,486	330,166
Assets held for sale	11	1,066	-
Total current assets		<u>5,355,696</u>	<u>5,292,479</u>
Non-current assets			
Property, plant, and equipment	13	10,954,838	10,751,957
Right of use assets	12	449,437	391,115
Advances for property, plant, and equipment		3,070	3,070
Intangible assets	14	3,216,477	3,289,715
Trade receivables	7	395,449	350,526
Other non-current financial assets	8	375	893
Contract assets	22.1	96,549	71,262
Financial assets at fair value through profit and loss	32.1	508,632	515,809
Other non-current assets	9	15,522	14,531
Deferred income tax assets	19	32,607	-
Total non-current assets		<u>15,672,956</u>	<u>15,388,878</u>
Total assets		<u>21,028,652</u>	<u>20,681,357</u>

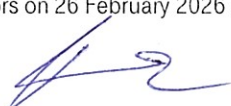
Statement of financial position

In thousands of denars	Note	As at 31 December	
		2025	2024
Liabilities			
Current liabilities			
Trade payables	15	2,584,980	2,495,480
Other current financial liabilities	16	401,717	360,274
Lease Liabilities	17	143,586	132,500
Other current liabilities	18	166,297	203,085
Contract liabilities	22.1	191,190	189,163
Income tax payable		119,971	37,143
Provision for liabilities and charges	20	359,094	317,892
Total current liabilities		3,966,835	3,735,537
Non-current liabilities			
Other financial liabilities	16	388,654	470,624
Lease liabilities	17	317,061	261,685
Contract liabilities	22.1	1	5
Deferred income tax liabilities	19	-	8,740
Provision for liabilities and charges	20	124,745	126,005
Total non-current liabilities		830,461	867,059
Total liabilities		4,797,296	4,602,596
Equity			
Share capital		9,583,888	9,583,888
Share premium		540,659	540,659
Treasury shares		(3,738,358)	(3,738,358)
Other reserves	2.12	958,389	958,389
Retained earnings		8,886,778	8,734,183
Total equity	21	16,231,356	16,078,761
Total equity and liabilities		21,028,652	20,681,357

These financial statements were authorized for issue on 20 February 2026 by the Management of Makedonski Telekom AD - Skopje and are subject to review and approval by the Board of Directors on 26 February 2026 and shareholders on date that will be subsequently agreed.


Goran Markovic
Chief Executive Officer


Slavko Projkoski
Chief Financial Officer


Goran Tilovski
Controlling, Accounting and Tax Hub
Leader
Certified Accountant
Reg. No. 0105436

The accompanying notes on pages 6 to 67 are integral part of these financial statements

Statement of comprehensive income

In thousands of denars	Note	Year ended 31 December	
		2025	2024
Revenues	22	12,589,809	12,202,637
Depreciation and amortization	12,13,14	(2,581,303)	(2,641,349)
Personnel expenses	23	(1,334,259)	(1,311,631)
Payments to other network operators	24	(1,102,042)	(1,114,093)
Expected credit losses on trade receivables and other assets	7	(149,220)	(201,706)
Other operating expenses	24	<u>(4,611,337)</u>	<u>(4,501,219)</u>
Operating expenses		(9,778,161)	(9,769,998)
Other operating income	25	<u>63,673</u>	<u>25,751</u>
Operating profit		2,875,321	2,458,390
Finance expenses	26	(60,698)	(166,122)
Finance income	27	<u>52,886</u>	<u>264,170</u>
Finance income – net		<u>(7,812)</u>	<u>98,048</u>
Profit before income tax		2,867,509	2,556,438
Income tax expense	28	<u>(332,493)</u>	<u>(317,624)</u>
Profit for the year		2,535,016	2,238,814
Total comprehensive income for the year		<u>2,535,016</u>	<u>2,238,814</u>
Earnings per share (EPS) information:			
Basic and diluted earnings per share (in denars)	36	<u>29.39</u>	<u>25.96</u>

Statement of cash flows

In thousands of denars	Note	Year ended 31 December	
		2025	2024
Operating activities			
Profit before tax		2,867,509	2,556,438
Adjustments for:			
Depreciation and amortization	12,13,14	2,581,303	2,641,349
(Release)/Write down of inventories to net realizable value	24	(1,224)	1,907
Fair value loss/(gain) on financial assets	26,27	7,176	(241,308)
Expected credit losses on trade receivables	7	72,007	134,207
Net increase of provisions	20	76,681	368,200
Net gain on disposal of property, plant, and equipment	25	(1,702)	(5,717)
Dividend income	27	(23,176)	(17,297)
Interest expense	26	33,962	54,362
Interest income	27	(11,770)	(5,565)
Other non-cash items (IFRS 15 effect and foreign exchange changes on cash and cash equivalents)		(46,739)	19,842
Cash generated from operations before changes in working capital		5,554,027	5,506,418
Change in assets carried as working capital		(342,770)	(117,331)
Change in liabilities carried as working capital		298,764	(62,895)
Cash generated from operations		5,510,021	5,326,192
Interest paid	16,17	(37,358)	(54,275)
Provisions paid	20	(72,266)	(52,077)
Taxes paid		(305,457)	(334,537)
Cash flows generated from operating activities		5,094,940	4,885,303
Investing activities			
Acquisition of property, plant, and equipment		(1,608,735)	(1,550,933)
Acquisition of intangible assets		(940,099)	(285,992)
Loans collected		1,323	3,218
Deposits placed with banks		(307,475)	-
Dividends received		23,176	17,297
Proceeds from sale of property, plant, and equipment		3,032	25,561
Interest received		11,770	5,565
Cash flows used in investing activities		(2,817,008)	(1,785,284)
Financing activities			
Dividends paid	29	(2,381,267)	(2,210,907)
Payments for leases (principal)	17	(153,331)	(144,417)
Payments for TV content liabilities (principal)	16	(270,905)	(478,709)
Cash flows used in financing activities		(2,805,503)	(2,834,033)
Net increase in cash and cash equivalents		(527,571)	265,986
Cash and cash equivalents at 1 January		1,344,547	1,079,490
Effect of foreign exchange rate changes on cash and cash equivalents		611	(929)
Cash and cash equivalents at 31 December	5	817,587	1,344,547

Statement of changes in equity

In thousands of denars	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2024		9,583,888	540,659	(3,738,358)	958,389	8,707,437	16,052,015
Total comprehensive income for the year		-	-	-	-	2,238,814	2,238,814
Transaction with owners in their capacity of owners (dividends paid)		-	-	-	-	(2,212,068)	(2,212,068)
Balance at 31 December 2024	21	9,583,888	540,659	(3,738,358)	958,389	8,734,183	16,078,761
Balance at 1 January 2025		9,583,888	540,659	(3,738,358)	958,389	8,734,183	16,078,761
Total comprehensive income for the year		-	-	-	-	2,535,016	2,535,016
Transaction with owners in their capacity of owners (dividends paid)		-	-	-	-	(2,382,421)	(2,382,421)
Balance at 31 December 2025	21	9,583,888	540,659	(3,738,358)	958,389	8,886,778	16,231,356

Notes to the financial statements

1. GENERAL INFORMATION

1.1. About the company

These financial statements relate to the Company Makedonski Telekom AD - Skopje.

Makedonski Telekom AD – Skopje, (hereinafter referred to as: “the Company”) is a joint stock company incorporated and domiciled in the Republic of North Macedonia, and a leading provider of telecommunications services. The Company provides the following services both to consumers and to business customers: voice and data services via a mobile and a fixed network, internet services, convergent services, digital television and advanced Cloud and ICT solutions.

The Company’s immediate parent company is AD Stonebridge Communications – Skopje, solely owned by Magyar Telekom Plc. registered in Hungary. The ultimate parent company is Deutsche Telekom AG registered in the Federal Republic of Germany.

The Macedonian telecommunications sector is regulated by the Electronic Communications Law (ECL) enacted in March 2014 (Official Gazette No. 39 dated 28 February 2014) as primary legislation and rulebooks as secondary legislation.

The Company is listed on the Macedonian Stock Exchange (MSE) in the mandatory listing segment since June 2013. As a listed company it has permanent and specific disclosure obligations to the MSE and eventually its investors. In order to be transparent to the investors the Company also maintains the Investor Relations segment on its web site which includes useful data going beyond the legally required data, as a step further towards a good corporate governance practice.

The Company’s registered address is “Kej 13 Noemvri” No 6, 1000, Skopje, Republic of North Macedonia. The average number of employees of the Company based on the working hours during 2025 was 930 (2024: 944).

1.2. The impact of the conflict in Ukraine and the economic crises on the business and on the financial statements

The annual inflation rate has slightly decelerated and at the end of November 2025 it was on a level of 4.0% (4.5% in October 2025), as a result of the deceleration of the food component. The inflation spread compared to the Eurozone marked a decrease, because of deceleration of the domestic inflation compared to the stable inflation rate in the Eurozone. The average inflation rate for 2025 was measured at around 3.9% with the latest IMF country reports and it was still at a relatively high level compared to the historical average. The reassessment of the import prices relevant for the inflation, this year are balanced, and have downward trend for the next year, although there is still uncertainty of the future dynamics of the global prices on the basic products due to the geopolitical tensions and climate changes.

The ongoing military conflict in Ukraine and the related sanctions targeted against the Russian Federation as well as the other ongoing military conflicts may have a further impact on the European and the global economy, apart from the one it already had on the energy prices as discussed above. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates in the future. The Company has experienced the impact of the crisis through the increased energy prices. The future long-term impact may also affect the trading volumes, cash flows, and profitability. Nevertheless, except for the increased energy cost, no other effects of the conflict in Ukraine have been experienced by the Company as of the date of these financial statements.

2. MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements of Makedonski Telekom AD – Skopje have been prepared in accordance with International Financial Reporting Standards (IFRS), using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Macedonian denars rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4. Actual results may differ from those estimated.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1.1. Standards amended and the subject of the amendments effective on or after 1 January 2025 that are relevant to the Company accounting policies:

Title of standard	Nature of change	Expected Impact on financial statements	Application date
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	Lack of Exchangeability. The IASB has issued amendments to IAS 21 that will require companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency.	Not applicable	1 January 2025

2.1.2. Standards, amendments and interpretations that are not yet effective as of 31 December 2025 and have not been early adopted by the Company and other expected changes for 2026:

Title	Key requirements	Impact on the financial statements	Effective date
Standards endorsed by the EU			
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments. The amendments of IFRS 7 and IFRS 9 mainly clarify the requirements for classifying and measuring the financial instruments to order to make the financial reporting more consistent and transparent. The changes in IFRS 9 relate to derecognition to simplify the process for derecognizing financial liabilities settled electronically and to classification providing more guidance on classifying financial assets with non-recourse features and contractually linked instruments. The changes of IFRS 7 enhance the disclosure requirements for fair value through other comprehensive income and contractual terms impacting cash flows.	No material impact is expected on the financial statements of the Company	1 January 2026
Annual Improvements Volume 11	The IASB issued narrow amendments to the IFRS Accounting Standards as part of its regular maintenance of the standards. These amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards.	No material impact is expected on the financial statements of the Company	1 January 2026

* For standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1.2. Standards, amendments and interpretations that are not yet effective as of 31 December 2025 and have not been early adopted by the Company and other expected changes for 2026 (continued):

Standards endorsed by the EU			
Amendments to IFRS 9 and IFRS 7	<p>Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 Financial Instruments:</p> <ul style="list-style-type: none"> - the own-use requirements in IFRS 9 are amended so as to include the factors that an entity is required to consider when applying IFRS 9 2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and - the hedge accounting requirements in IFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument <p>Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 19 Subsidiaries without Public Accountability: Disclosures: The IASB amends IFRS 7 and IFRS 19 to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.</p>	No impact is expected on the financial statements of the Company	1 January 2026
Standards not yet endorsed by the EU*			
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 allows for certain eligible subsidiaries of parent entities that report under the IFRS Accounting Standards to apply reduced disclosure requirements as well as enables simplification of the reporting systems and processes for companies, reducing the costs of preparing the eligible subsidiaries' financial statements, while maintaining the usefulness of those financial statements for their users.	Not applicable on the financial statements of the Company	1 January 2027

* For standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1.2. Standards, amendments and interpretations that are not yet effective as of 31 December 2025 and have not been early adopted by the Company and other expected changes for 2026 (continued):

Standards not yet endorsed by the EU*			
IFRS 18 Presentation and Disclosure in Financial Statements	<p>IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to the users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on the presentation and disclosure are expected to be pervasive. The main changes arising from IFRS 18 are as follows:</p> <ul style="list-style-type: none"> – Improvement in the structure and comparability of the statement of profit or loss by introducing mandatory subtotals (such as “operating profit/loss before financing and income taxes”) and categories (including “operating,” “investing,” and “financing”); – Disclosures on performance indicators that Company uses in public communications to communicate management’s view of an aspect of the financial performance of the entity as a whole (“management-defined performance measures”); – Introduction of additional principles for the aggregation and disaggregation of line items; – Narrow-scope amendments to the statement of cash flows aimed at standardizing the presentation in the statement of cash flows, particularly by eliminating certain presentation options., <p>The Company will apply the new standard as of its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.</p>	The management is currently assessing the detailed implications of the application of the new standard on the financial statements of the Company.	1 January 2027

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1.2. Standards, amendments and interpretations that are not yet effective as of 31 December 2025 and have not been early adopted by the Company and other expected changes for 2026 (continued):

Standards not yet endorsed by the EU*			
Amendments to IFRS 19 Subsidiaries without Public Accountability	Disclosures: The IASB amended IFRS 19 to provide reduced disclosure requirements for new and amended IFRS Accounting Standards issued between February 2021 and May 2024.	Not applicable on the financial statements of the Company	1 January 2027
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	Translation to a Hyperinflationary Presentation Currency. The amendments of IAS 21 specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy.	Not applicable on the financial statements of the Company	1 January 2027

*For standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2. Foreign currency translation

2.2.1. Functional and presentation currency

The financial statements are presented in thousands of Macedonian denars (MKD), which is the Company's functional and presentation currency.

2.2.2. Transactions and balances

Transactions in foreign currencies are translated to Macedonian denars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial statement date are translated to Macedonian denars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the profit or loss (Finance income/expenses). Non-monetary financial assets and liabilities denominated in foreign currency are translated to Macedonian denars at the foreign exchange rate ruling at the date of transaction. Foreign exchange rates used are published middle rates by National bank of Republic of North Macedonia.

The foreign currencies transactions of the Company are predominantly Euro (EUR) and United States Dollars (USD) based.

The exchange rates used for translation at 31 December were as follows:

	2025	2024
	MKD	MKD
1 USD	52.31	58.88
1 EUR	61.50	61.50

2.3. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets of the Company include, cash and cash equivalents, deposits with banks, equity instruments of another entity (financial instruments at fair value through profit or loss) and contractual rights to receive cash (trade and other receivables) or another financial asset from another entity.

Financial liabilities of the Company include liabilities that originate from contractual obligations to deliver cash or another financial asset to another entity (non-derivatives). In particular, financial liabilities include trade and other payables.

The fair value of traded financial instruments is determined by reference to their market prices at the end of the reporting period. This typically applies to financial assets at fair value through profit or loss.

The fair value of long-term financial liabilities is also determined by using discounted cash flow valuation technique. The expected cash inflows or outflows are discounted by market-based interest rates.

Assumptions applied in the fair value calculations are subject to uncertainties. Changes in the assumptions applied in the calculations would have an impact on the carrying amounts, the fair values and/or the cash flows originating from the financial instruments. Sensitivity analyses related to the Company's financial instruments are provided in Note 3.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.1. Financial assets

The Company classifies its financial assets on the basis of both:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset

in the following categories:

- at amortized cost if both of the following conditions are met:
 - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:
 - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- at fair value through profit or loss (FVTPL) unless it is classified in the previous categories.

For the purpose of the above classification:

- principal is the fair value of the financial asset at initial recognition
- interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Standard purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred. Financial assets have been transferred when the contractual rights to receive cash flows of the financial assets have been transferred or the contractual rights to receive cash flows of the financial assets have been retained but there is a contractual obligation to pay the cash flows to one or more recipients in an arrangement compliant with the conditions set out by IFRS 9. Any gains or losses on derecognition are recognized in the profit or loss and they are calculated as the difference between (a) the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income and (b) the carrying amount derecognized.

- **Impairment of financial assets**

Depending on the business model of the Company and the characteristics of the contractual cash flows of the financial assets, financial assets are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

The Company assesses at each balance sheet date the level of expected credit loss.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.1. Financial assets (continued)

Loss events can be the following:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group (an increased number of delayed payments); or
 - national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in industry conditions that affect the borrowers in the group).

A loss allowance must be recognized for financial assets measured at amortized cost and at fair value through other comprehensive income. The loss allowance must be recognized through profit or loss and reduces the carrying amount of the relevant financial asset measured at amortized cost. In the case of financial assets measured at fair value through other comprehensive income, the corresponding offsetting entry is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Loss allowances must also be recognized for lease receivables, contract assets as defined in IFRS 15, financial guarantee contracts and loan commitments relating to loans bearing an off-market interest rate.

The simplified approach is to be applied to assess and account for credit losses of trade receivables.

- Simplified approach

All financial instruments underlying the simplified approach are measured with lifetime expected credit loss. Simplified approach is applied only to trade receivables. The Company is aware of the necessity of applying general model for cash and cash equivalents, deposits with banks, employee loans and other financial receivables, however it has assessed that possible impairment arising from these financial assets is immaterial for financial statements. Nevertheless, Company assesses and evaluates the need for impairment of these financial assets. As of each year end, the Company reassess its approach for determining the level of ECL and evaluates the need for development of general approach in order to calculate ECL for other financial assets (other than trade receivables). Therefore, except for insolvency, neither any indicators for increase in credit risk nor any default events are relevant within simplified approach. The simplified approach is applicable for trade receivables of the Company.

The Company classifies its financial assets in the following categories:

- (a) Financial assets measured at amortized cost
- (b) Financial assets at fair value through profit or loss (FVTPL)

- (a) Financial assets measured at amortized cost

The following items are assigned to category financial assets measured at amortized cost:

- cash and cash equivalents;
- deposits with banks;
- trade receivables;
- employee loans;
- other receivables.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.1. Financial assets (continued)

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method (relevant only for the receivables with long-term maturity).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank, call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Deposits with banks

Deposits with banks with original maturities over 3 months include bank deposits and other liquid deposits and securities with original maturities over three months.

Trade and other receivables

Amounts due to, and receivable from, other network operators are shown net where a right of set-off exists and the amounts are settled on a net basis (such as receivables and payables related to international traffic).

The Company calculates impairment for doubtful accounts based on estimated losses resulting from the inability of customers to make required payments. For the largest customers and international customers, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which we base our estimate on the ageing of our account receivables balance and our historical write-off experience, customer credit-worthiness and recent changes in our customer payment terms. These factors are reviewed periodically, and changes are made to the calculations when necessary. If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

When it is determined that there is no need for individual assessment of account receivable, whether significant or not, the item should be included in a group of accounts receivables with similar credit risk characteristics and assessed collectively for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

There are two categories of calculating impairment loss for trade receivables:

- for invoices which are overdue
- for invoices which are not yet due

In the case of collective assessment ECL level is assessed primarily based on the ageing structure of the receivables. An ageing list is prepared on overdue receivables and the amount of impairment is calculated by multiplying impairment rates based on historical loss experience with the amount of receivables.

Impairment rates are calculated based on the historical loss experience, adjusted on the basis of current observable data and forward-looking variables i.e., macroeconomic factors which are relevant and affect the ECL. Basically, all relevant macroeconomic inputs as independent variables and the ECL as a dependent variable are applied into the Three-dimensional linear multiple regression model in order to reflect the effects of current and future conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Such information can be, for example, internal changes in the billing and dunning processes and macroeconomic factors such as inflation rate, unemployment rate, General Government gross debt as a percent of GDP, total debt of the Corporate sector as a percent of GDP and communications expenditure as a percent of the total personal consumption per Household. Additionally, testing of the significance of the obtained results was performed with T-student distribution testing in order to evaluate the relevance of the applied regression model. The testing results show that all tested variables significantly influence on the Expected credit loss for all segments and portfolios. Further on, the multiple correlation analysis is performed analyzing the connection between the dependent and independent variable as well as the analysis of the partial elasticity coefficients. The results show that the correlation among the variables can be considered strong taking into consideration all correlation coefficients.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.1. Financial assets (continued)

Impairment rates used for 2025:

Age Bands	CONSUMER		BUSINNES							
	Fix	mobile	Key Accounts		Institutions		Large Accounts		Business other	
			fix	mobile	fix	mobile	Fix	mobile	fix	mobile
Overdue 0	1.7%	1.3%	0.8%	0.6%	2.7%	0.3%	1.5%	0.8%	4.2%	1.6%
Overdue 1-30 days	6.7%	3.2%	3.2%	1.0%	4.9%	0.5%	4.4%	1.7%	10.4%	3.4%
Overdue 31-60 days	17.4%	34.3%	10.7%	2.9%	7.1%	1.2%	12.3%	4.9%	17.1%	6.6%
Overdue 61-90 days	27.5%	41.3%	17.7%	7.0%	8.4%	2.4%	21.3%	17.8%	22.6%	35.3%
Overdue 91-180 days	40.1%	52.7%	26.8%	22.7%	13.0%	4.8%	28.0%	32.7%	32.9%	62.0%
Overdue 181-365 days	50.7%	61.6%	40.4%	44.4%	19.0%	7.8%	41.8%	42.9%	43.4%	74.3%
Overdue 366-540 days	56.3%	62.8%	45.1%	63.8%	30.6%	34.9%	58.9%	48.3%	53.2%	77.1%
Overdue 541-720 days	57.8%	68.2%	59.5%	81.4%	30.9%	37.3%	58.8%	51.0%	61.7%	84.3%
Overdue above 721 days	98.4%	99.4%	98.3%	98.7%	99.3%	98.6%	98.7%	99.0%	99.8%	99.7%

Impairment rates used for 2024:

Age Bands	CONSUMER		BUSINNES							
	Fix	mobile	Key Accounts		Institutions		Large Accounts		Business other	
			fix	mobile	fix	mobile	Fix	mobile	fix	mobile
Overdue 0	1.6%	1.4%	0.7%	0.7%	2.7%	0.3%	1.4%	0.9%	3.8%	1.7%
Overdue 1-30 days	6.5%	3.3%	3.0%	1.1%	4.8%	0.5%	4.2%	1.8%	9.4%	3.6%
Overdue 31-60 days	17.5%	32.6%	9.3%	3.1%	6.2%	1.0%	11.6%	5.2%	15.7%	7.1%
Overdue 61-90 days	30.0%	40.3%	17.4%	7.4%	7.1%	2.0%	23.1%	17.9%	21.0%	36.9%
Overdue 91-180 days	46.6%	52.3%	26.7%	19.7%	14.4%	4.5%	30.4%	30.9%	32.0%	63.7%
Overdue 181-365 days	59.0%	62.5%	40.0%	37.1%	22.9%	7.3%	43.2%	40.1%	47.1%	76.9%
Overdue 366-540 days	64.9%	64.3%	45.1%	59.8%	35.2%	31.3%	60.4%	41.9%	59.9%	79.5%
Overdue 541-720 days	66.6%	71.6%	56.0%	77.4%	36.8%	55.3%	61.3%	49.4%	70.1%	86.7%
Overdue above 721 days	98.5%	99.3%	98.4%	98.7%	99.1%	98.4%	98.7%	98.8%	99.7%	99.7%

When a trade receivable is established to be uncollectible, it is written off against the allowance for Trade receivables.

Conditions under which trade receivables are subject of write-off are follows: court judgment in favor of the customer, a notification by a court or an enforcement agent regarding deceased persons (debtors), relocated debtors whose places of residence may not be determined, etc.; submitted certificate of death pertaining to a deceased person prior to litigation for the purposes of avoiding any increase in the costs for further proceedings as per the relevant legal regulations; a completed bankruptcy or liquidation procedure pertaining to the part of the debt that remains pending and deletion of a legal entity from the Central Registry of the Republic of North Macedonia; in the event of any debts that have not been litigated and the Company does not have any mechanisms for an enforced collection; debts that are older than 10 years due to statute of limitations are written off.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.1. Financial assets (continued)

Subsequent recoveries of amounts previously written off are credited against the period's expected credit losses on trade receivables and other assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease previously recognized impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Employee loans

Employee loans are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Difference between the nominal value of the loan granted and the initial fair value of the employee loan is recognized as prepaid employee benefits, which reduces loans from employees. Interest income on the loan granted calculated by using the effective interest method is recognized as finance income, while the prepaid employee benefits are amortized to Personnel expenses evenly over the term of the loan. The program is not active in terms of granted new loans. The Company stopped providing employee loans in 2013.

Impairment losses on Employee loans, are recognized in the profit or loss (Expected credit loss on trade receivables and other assets). During the period, no materially significant ECL was recognized in respect to these financial assets.

(b) Financial assets at fair value through profit or loss

The "financial assets at fair value through profit or loss" measurement category includes equity instruments. A financial asset is classified in this category if the Company manages such asset and makes purchase and sale decisions based on its fair value in accordance with the Company investment strategy for keeping investments within portfolio until there are favorable market conditions for their sale.

Financial assets at fair value through profit or loss' are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the profit or loss (Finance income/expense) in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the profit or loss when the Company's right to receive payments is established and inflow of economic benefits is probable.

2.3.2. Financial liabilities

Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

Long term financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of inventories is based on weighted average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Phone sets are often sold for less than cost in connection with promotions to obtain new contracts with minimum commitment periods, as part of profitable service agreement. The Company assesses the need to impair inventories due to the net realizable value (NRV) effect on a regular basis. If the actual sale value is lower than costs, the difference is recognized as impairment, due to NRV effect, immediately.

Impairment losses on Inventories are recognized in Other operating expenses (Write down of inventories to net realizable value).

2.5. Assets held for sale

An asset is classified as held for sale if it is no longer needed for the future operations of the Company, and has been identified for sale, which is highly probable and expected to take place within 12 months. Both requirements, immediate availability, and a highly probable sale, must be met on order asset to be classified as held for sale. These assets are accounted for at the lower of carrying value or fair value less cost to sell. Depreciation is discontinued from the date of designation to the held for sale status. When an asset is designated for sale, and the fair value is determined to be lower than the carrying amount, the difference is recognized in the profit or loss (Depreciation and amortization) as an impairment loss.

2.6. Property, plant and equipment (PPE)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2.8).

The cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the costs if the obligation incurred can be recognized as a provision according to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

The cost of self-constructed assets includes the cost of materials and direct labor.

In 2011, Law on acting with illegally built facilities was enacted, according to which the Company will incur certain expenditures related to obtaining complete documentation for base stations and fix line infrastructure in accordance with applicable laws in Republic of North Macedonia. The Company capitalizes those expenditures as incurred. The capitalized expenditures are included within Property, plant and equipment (see note 13).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

When assets are disposed of or when the Company assess that there will be no future economic benefits from the use of an asset, the asset is scrapped, and the costs and accumulated depreciation are removed from the accounts and the impact is recognized in the gain/loss from disposal.

When assets are sold, the cost and accumulated depreciation are removed from the accounts and any related gain or loss, determined by comparing proceeds with carrying amount, is recognized in the profit or loss.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Assets are not depreciated until they are available for use. Land is not depreciated. The assets useful lives and residual values are reviewed, and adjusted if appropriate, at least once a year. For further details on the groups of assets impacted by the most recent useful life revisions (see note 13).

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (PPE) (continued)

The estimated useful lives are as follows:

	2025	2024
	Years	Years
Buildings	20-40	20-40
Aerial and cable lines	20-25	20-25
Telephone exchanges	7-10	7-10
Base stations	10	10
Computers	4	4
Furniture and fittings	4-10	4-10
Vehicles	5-10	5-10
Other	2-15	2-15

2.7. Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortization and impairment losses (see note 2.8).

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. New software modules that cannot be used independently of the existing software (releases), but rather only combined with the base version's functionalities and are implementations of enhanced software, characterized by systematic updates, revisions or expansions of previous versions of existing software represent subsequent costs for the previous version and are capitalized if they meet the capitalization criteria, i.e. if they coincide with the creation of additional functionalities. Consequently, the costs of releases is capitalized as part of the base version and amortized together with the residual carrying amount over the base software's remaining useful life. If indications exist that the software will be operated longer than the current useful life as a result of subsequently capitalized expenditure, the useful life of the base software is reviewed, and if applicable extended.

The Company's primary activities are in the fixed line and mobile operations in Republic of North Macedonia. These operations usually require acquisition of licenses/frequency usage rights, which generally contain upfront fees and annual fees. For each acquired license/frequency usage right, the Company assesses whether the amount of future annual fees can be measured reliably at the start of the validity period of the license. If the Company considers that the amount of future annual fees can be measured reliably, the present value of the future annual fees is capitalized, if any, as part of the cost of the license otherwise these fees are recognized as expenses (Other operating expenses) in the period they relate to.

The useful lives of concession and licenses are determined based on the underlying agreements and are amortized on a straight-line basis over the period from availability of the frequency for commercial use until the end of the initial concession or license term. No renewal periods are considered in the determination of useful life (see note 14).

Content rights are capitalized as intangible assets if all of the following conditions are met: there is no doubt whatsoever that the content will be delivered as agreed in the contract; non-cancellable term of the contract is at least 12 months and cost can be estimated reliably. Content rights are amortized over the contracts term. The financial liability recognized for capitalized content is presented in the statement of financial position within Other financial liabilities. Financial liability represents discounted present value of all future payments except to the extent the Company pays the consideration already at signing date. Discount rate is the relevant market rate under similar conditions. Unwinding of an accrued interest is recognized as an interest expense and is presented within Financial expense. Consequently, the relevant cash outflows are presented as cash flows from financing activities.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7. Intangible assets (continued)

The estimated useful lives are as follows:

	2025	2024
	Years	Years
Software and licenses	2-5	2-5
Concession	18	18
Content rights	1-3	1-3
3G and 2G License	10	10
4G License	7-20	7-20
5G License	15	15

Amortization is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The assets useful lives are reviewed, and adjusted if appropriate, at least once a year (see note 14).

In determining whether an asset that incorporates both intangible and tangible elements should be treated under IAS 16 – Property, Plant and Equipment or as an intangible asset under IAS 38 – Intangible Assets, management uses judgment to assess which element is more significant and recognizes the assets accordingly.

2.8. Impairment of property, plant and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units - CGUs).

Impairment losses are recognized in the profit or loss (Depreciation and amortization). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9. Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured and recorded as the best estimate of the economic outflow required to settle the present obligation at the financial statement date. The estimate can be calculated as the weighted average of estimated potential outcomes or can also be the single most likely outcome. The provision charge is recognized in the profit or loss within the expense corresponding to the nature of the provision.

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10. Share capital

Ordinary shares are classified as equity. Share premiums are classified as equity and represent the amount which is generated in excess of the nominal value when issuing shares.

2.11. Treasury shares

When the Company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued. When such shares are subsequently reissued, the treasury share balance decreases by the original cost of the shares, thereby increasing equity, while any gains or losses are also recognized in equity (Retained earnings). Treasury shares transactions are recorded on the transaction date.

2.12. Other reserves

Under local statutory legislation, the Company is required to set aside minimum 5 percent of its net profit for the year in accordance with the adopted international financial reporting standards published in the "Official Gazette of the Republic of North Macedonia" in a statutory reserve until the level of the reserve reaches 1/10 of the share capital. These reserves are used to cover losses and are not distributed to shareholders except in the case of bankruptcy of the Company.

2.13. Revenues

Revenues for all services and equipment sales (see note 22) are shown net of VAT and discounts.

The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services.

Revenue should be recognised if it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control either transfers over time or at a point in time, which affects when revenue is recorded.

As a practical expedient, the Company applies the guidance to a group of contracts with similar characteristics instead of to a single contract with a customer. A portfolio approach is acceptable if the Company can reasonably expect that the effect of applying a portfolio approach to a group of contracts or a group of performance obligations would not differ materially from considering each contract or performance obligation separately. This implies that a portfolio of contracts with similar characteristics does not necessarily need to refer to homogenous products being included in these contracts. Main principles:

- If Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Company shall present the contract as a Contract asset, excluding any amounts presented as a receivable. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer.
- In the case of multiple-element arrangements (e.g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the Statement of Financial Position.
- At the same time, it resulted in higher revenue from the sale of goods and merchandise and to lower revenue from the provision of services.
- Expenses for sales commissions (customer acquisition costs) must be capitalized in the Contract costs, presented in Other assets line of the Statement of Financial Position and recognized over the estimated customer retention period.
- Later recognition of revenue in cases where "material rights" are granted, such as offering additional discounts for future purchases of further products.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13. Revenues (continue)

- Contract liabilities (which, as deferred revenue, were already recognized as liabilities in the past and with the transition reclassified) are now netted off against the contract assets for each customer contract.
- For the purposes of determining whether the Company sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), there was no material change upon the application of IFRS 15 requirements.
- A significant financing component is not considered for the amount and timing of revenue recognition if the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.
- If the promise to grant a license is distinct from the other promised goods or services in the contract then the promise to grant the license is a separate performance obligation and the Company shall determine whether the license transfers to a customer either at a point in time or over time.

2.13.1. Fixed line and mobile telecommunications revenues, including sale of devices

Revenue is primarily derived from services provided to subscribers and other third parties using telecommunications network, and equipment sales.

Customer subscriber arrangements typically include an equipment sale, subscription fee and charge for the actual voice, internet, data or multimedia services used.

Airtime revenue is recognized based upon minutes of use and contracted fees less credits and adjustments for discounts, while subscription and flat rate revenues are recognized in the period they relate to.

The Company provides customers with narrow and broadband access to its fixed, mobile and TV distribution networks.

Revenues from premium rate services (voice and non-voice) are recognized on a gross basis when the delivery of the service over the network is the responsibility of the Company, the Company establishes the prices of these services and bears substantial risks of these services, otherwise presented on a net basis.

Customers may also purchase prepaid mobile, public phone and internet credits ("prepaid cards") which allow those customers to use the telecommunication network for a selected amount of time. Customers must pay for such services at the date when the card is purchased. Revenues from the sale of prepaid cards are recognized when used by the customers or when the cards expired with unused traffic.

Third parties using the telecommunications network include roaming customers of other service providers and other telecommunications providers which terminate or transit calls on the network. These wholesale (incoming) traffic revenues are recognized in the period of related usage. A proportion of the revenue received is often paid to other operators (interconnect) for the use of their networks, where applicable. The revenues and costs of these terminate or transit calls are stated gross in these financial statements as the Company is the principal supplier of these services using its own network freely defining the pricing of the service, and recognized in the period of related usage.

Contracts are frequently sold to customers containing a cross subsidy between two or more components. A typical example is where a mobile phone is sold at a price significantly below its market value in a bundle with a service contract for a period of 24 months. From a commercial point of view, the subsidy on the mobile phone is recompensated via the service fee.

With this adjustment requirement (also termed as "basic adjustment") a cross-subsidy or an overall bundle discount must be allocated to the individual components of the bundle so that revenue generally reflects the fair value of the good and/or service with a bundle discount being allocated based on relative standalone selling prices.

The revenue is determined for every component by distributing the transaction price to the individual components in proportion to their relevant standalone selling prices.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13.2. System integration and IT revenues

Contracts for network services consist of the installation and operation of communication networks for customers. Revenues for voice and data services are recognized under such contracts when used by the customer.

The Company transfers control of goods and services over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a customer simultaneously receives and consumes the benefit provided by Company's performance as Company performs
- Company's performance creates or enhances assets that the customer controls as the asset is created or enhanced
- Company's performance does not create an asset with an alternative use to Company and Company has an enforceable right to payment for performance completed to date.

If the performance obligation is not satisfied over time, the Company satisfies the performance obligation at a point in time.

Revenue from hardware sales or sales-type leases is recognized when the customer obtains the control over the product.

To determine the progress of performance the Company is applying the Input method. The Company recognize revenue on the basis of the Company's efforts or inputs to the satisfaction of a performance obligation (resources consumed, labor hours expended, cost incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of the performance obligation.

2.14. Employee benefits

2.14.1. Short term employee benefits and pensions

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Governmental and private funds. The cost of these payments is charged to the profit or loss in the same period as the related salary cost. No provision is created for holiday allowances for non-used holidays as according the local legislation the employer is obliged to provide condition for usage, and the employee to use the annual holiday within one year. This is also exercised as Company policy and according the historical data employees use their annual holiday within the one-year legal limit. The Company does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions. The Company has contractual obligation to pay to employees three average monthly salaries in Republic of North Macedonia at their retirement date according the Collective agreement between the Company and the Trade Union of the Company, for which appropriate liability is recognized in the financial statements measured at the present value of three average monthly salaries together with adjustments incorporated in the actuarial calculation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid. In addition, the Company is not obligated to provide further benefits to current and former employees.

2.14.2. Bonus plans

The Company recognizes a liability and an expense for bonuses taking into consideration the financial and operational results. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.14.3 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated, on the request of the employer, before the nominal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

2.15. Marketing expenses

Marketing costs are expensed as incurred. Marketing expenses are disclosed in note 24.

2.16. Taxes

2.16.1. Income tax

According to the provisions of the Income tax law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the income tax rate is 10%. In line with these income tax for the year was calculated and recorded in the Statement of comprehensive income.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. In a case of tax evasion or tax fraud the statute of limitations may be extended up to 10 years. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect other than those provided for in these financial statements.

2.16.2. Deferred income tax

Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the financial statement date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

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

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17. Leases

2.17.1. Operating leases – Company as a lessor

Under IFRS 16, an operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. These are typically simple short-term hire arrangement (an operating lease), whereby rental payments received are dealt with in profit or loss with the primary impact on the balance sheet relating to the timing of lease payments.

Assets leased to customers under operating leases are included in Property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognized on a straight-line basis over the lease term.

2.17.2. Leases – Company as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee was reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. In order to determine Right of Use and Lease Liability at the moment of commencement of lease contract, the Company will estimate the lease period in accordance with the contract and possible extension options, determine the total lease consideration to be transferred to lessor and discount this consideration in accordance with the rate implicit in the lease or if not available determine the incremental lease rate for the purpose of discounting. For the asset and liabilities arising from a lease, see notes 12 and 17.

As a consequence, the Company recognizes depreciation of the right-of-use asset and interest on the lease liability. The repayments of lease liability are separated into a principal portion and an interest portion and presented in the statement of cash flows separately as cashflows from financial (Payments for leases - principal) and operating activities (Interest paid), respectively.

The company applies IFRS 16 to all leases, including leases of right-of-use assets in a sublease, except for:

- Rights held by a lessee under licensing agreements within the scope of (IAS 38) Intangible Assets;
- Leases of intangible assets;
- Service concession arrangements within the scope of (IFRIC 12) Service Concession Arrangements; and
- Licenses of intellectual property granted (or sold) by Company lessors within the scope of IFRS 15 Revenue from Contracts with Customers.

Recognition exemptions

- The Company decided not to apply the short-term recognition exemptions to lease contracts, except for some minor and insignificant lease arrangements with a lease term of one month or less. Such very short-term leases and related asset classes are expensed as incurred and no additional quantitative disclosure is required;
- The Company decided not to apply the practical expedient with respect to low value items. Hence, they have to be recognized, measured and presented as lease arrangements in the scope of IFRS 16.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17.2. Leases – Company as a lessee (continued)

Lease term

The lease term refers to the period for which Company is reasonably certain to maintain the contract under the terms and conditions as originally negotiated. The initial lease term assessment is made at commencement of the lease. When determining the lease term, the most reasonably certain, i.e. justifiable, term is always to be used in case of doubt. Reasonable certainty is determined in accordance with judgment of the relevant management responsible for the lease. The lease term assessment is largely based on management judgement and the Company usually use estimates or assumptions (especially in case of options and indefinite contracts) at an asset cluster level.

The commencement date of the lease (commencement date), is the date on which a lessor makes an underlying asset (i.e., the property, plant or equipment that is subject to the lease) available for use to the lessee. At the commencement date, the lease term begins and lease liability and the right-of-use asset is initially recognized and measured.

Options - “Reasonably certain criteria”

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, lessees shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Lease payments

Lease payments are defined as payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term.

In the definition of lease payments, the Company includes payments for non-lease components as well.

Reassessment of the lease liability

In terms of IFRS 16, a reassessment of the lease liability only takes place if the change is based on already existing contractual clauses, i.e. those that have been part of the contract since commencement.

A lessee reassesses the lease term, i.e. whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that: is within the control of the lessee, or in specific circumstances outside the control of the lessee, and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

Accounting for lease modifications

A lease modification is defined as “a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)”. Modification can also result from a change in consideration only. The effective date of the modification is defined as the date when both parties agree to a lease modification.

A lessee accounts for a lease modification as a separate lease if both of the following conditions are fulfilled:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the financial statements

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17.2. Leases – Company as a lessee (continued)

When these conditions are met, the modification is considered to result in the creation of a new lease that is separate from the original lease. The agreement for the right to use one or more additional assets is accounted for as a separate lease (or leases) to which the requirements of IFRS 16 are applied independently of the original lease.

For a lease modification that is not a separate lease, i.e. that do not meet the conditions outlined above, at the effective date of the modification, the lessee accounts for the lease modification by remeasuring the lease liability using a discount rate determined at that date and:

- for lease modifications that decrease the scope of the lease, the lessee decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes a gain or loss that reflects the proportionate decrease in scope; and
- for all other lease modifications, the lessee makes a corresponding adjustment to the right-of-use asset.

When a lease arrangement is modified, then the revised lease payments will always be discounted with a revised discount rate. This is different from the requirements for a reassessment of the lease, where only in specific cases a revised discount rate is required.

2.18. Earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the Company for the period by the weighted average number of common stocks outstanding. The Company has only ordinary shares and basic and diluted earnings per share are the same.

2.19. Dividend distribution

Dividends are recognized as a liability and debited against equity in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.20. Segments

The operating segments of the Company are based on the business lines, residential, business, wholesale and other, which is consistent with the internal reporting provided to the chief operating decision maker, the Chief Executive Officer (CEO) who is advised by the Management Committee (MC) of the Company. The CEO is responsible for allocating resources to, and assessing the performance of, the operating segments. The accounting policies and measurement principles of the operating segments are the same as those applied for the Company described in the Material accounting policies (see note 2). In the financial statements, the segments are reported in a manner consistent with the internal reporting.

The operating segments' revenues include revenues from external customers and there are no internal revenues generated from other segments.

The operating segments' results are monitored by the CEO and the MC to Direct margin, which is defined by the Company as revenues less direct costs less Impairment losses on trade receivables and other assets.

The CEO and the MC do not monitor the assets and liabilities at segment level.

2.21. Comparative information

In order to maintain consistency with the current year presentation in the Financial statements and the Notes thereto, certain items have been reclassified for comparative purposes. There were no material changes in disclosures.

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Company does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the profit or loss. The Company is exposed in particular to credit risks related to its financial assets and risks from movements in exchange rates, interest rates, and market prices that affect the fair value and/or the cash flows arising from financial assets and liabilities. Financial risk management aims to limit these market, liquidity and credit risks through ongoing operational and finance activities.

The detailed descriptions of risks, the management thereof as well as sensitivity analyses are provided below. Sensitivity analyses include potential changes in profit before tax. The potential impacts disclosed (less tax) are also applicable to the Company's Equity.

3.1.1. Market risk

Market risk is defined as the 'risk that the fair value or value of future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk.

As the vast majority of the revenues and expenses of the Company arise in MKD, the functional currency of the Company is MKD, and as a result, the Company objective is to minimize the level of its financial risk in MKD terms.

For the presentation of market risks, the periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the financial statement date. The balances at the end of the reporting period are usually representative for the year as a whole, therefore the impacts are calculated using the year end balances as though the balances had been constant throughout the reporting period. The methods and assumptions used in the sensitivity calculations have been updated to reflect the current economic situation.

a) Foreign currency risk

The functional currency of the Company is the Macedonian denar.

The foreign exchange risk exposure of the Company is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international telecommunications carriers as well as capital expenditure contracted with vendors in foreign currency.

The currency giving rise to this risk is primarily the EUR. The Company uses cash deposits in foreign currency, predominantly in EUR, and cash deposits in denars linked to foreign currency, to economically hedge its foreign currency risk in accordance with the available banks offers. The Company manages net liability foreign exchange risk through maintaining higher amount of deposits in EUR.

The foreign currency risk sensitivity information required by IFRS 7 is limited to the risks that arise on financial instruments denominated in currencies other than the functional currency in which they are measured.

In the table below, exposure toward foreign currencies is disclosed:

In thousands of denars	EUR	USD
31.12.2025		
Cash and cash equivalents	130,198	19,802
Deposits with banks	307,475	-
Trade receivables	254,682	110,519
Other current assets	21,433	412
Other current financial assets	36,245	-
Trade payables	(869,660)	(207,514)
Lease liabilities	(430,239)	-
Other financial liabilities	(702,671)	(71,788)
Total	<u>(1,252,537)</u>	<u>(148,569)</u>

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.1. Market risk (continued)

In thousands of denars

31.12.2024	EUR	USD
Cash and cash equivalents	148,655	2,221
Trade receivables	198,399	124,658
Other assets	7,003	464
Trade payables	(1,099,837)	(229,110)
Lease liabilities	(363,088)	-
Other financial liabilities	(707,152)	(115,683)
Total	<u>(1,816,020)</u>	<u>(217,450)</u>

Sensitivity analysis

As presented in the table below, the reasonably possible strengthening or weakening of the EUR against the MKD as at the end of the reporting period would affect the measurement of the financial instruments denominated in a foreign currency and it would increase (+)/ decrease (-) the equity and the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates, remain constant and it disregards any impact of the forecast sales and purchases. In view of the fact that the effect on the profit or loss would be the same as the effect on the equity, only the former is disclosed.

In thousands of denars

31.12.2025	Profit or loss	
EUR/MKD (1% movements)	Strengthening	Weakening
Cash and cash equivalents	1,302	(1,302)
Deposits with banks	3,075	(3,075)
Trade receivables	2,547	(2,547)
Other current assets	214	(214)
Other current financial assets	362	(362)
Trade payables	(8,697)	8,697
Lease liabilities	(4,302)	4,302
Other financial liabilities	(7,027)	7,027
Net effect	<u>(12,526)</u>	<u>12,526</u>

In thousands of denars

31.12.2024	Profit or loss	
EUR/MKD (1% movements)	Strengthening	Weakening
Cash and cash equivalents	1,487	(1,487)
Trade receivables	1,984	(1,984)
Other current assets	70	(70)
Trade payables	(10,998)	10,998
Lease liabilities	(3,631)	3,631
Other financial liabilities	(7,072)	7,072
Net effect	<u>(18,160)</u>	<u>18,160</u>

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.1. Market risk (continued)

As presented in the table below the reasonably possible strengthening or weakening of the USD against the MKD as at the end of the reporting period would affect the measurement of the financial instruments denominated in a foreign currency and it would increase (+)/decrease (-) the equity and the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular the interest rates, remain constant and it disregards any impact of the forecast sales and purchases. In view of the fact that the effect on the profit or loss would be the same as the effect on the equity, only the former is disclosed.

In thousands of denars 31.12.2025 USD/MKD (10% movements)	Profit or loss	
	Strengthening	Weakening
Cash and cash equivalents	1,980	(1,980)
Trade receivables	11,052	(11,052)
Other current assets	41	(41)
Trade payables	(20,751)	20,751
Other financial liabilities	<u>(7,179)</u>	<u>7,179</u>
Net effect	<u><u>(14,857)</u></u>	<u><u>14,857</u></u>

In thousands of denars 31.12.2024 USD/MKD (10% movements)	Profit or loss	
	Strengthening	Weakening
Cash and cash equivalents	222	(222)
Trade receivables	12,466	(12,466)
Other current assets	46	(46)
Trade payables	(22,911)	22,911
Other current financial liabilities	<u>(11,568)</u>	<u>11,568</u>
Net effect	<u><u>(21,745)</u></u>	<u><u>21,745</u></u>

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

The Company is minimizing interest rate risk through defining of fixed interest rates in the period of the validity of certain financial investments. On the other hand, fix term deposits may be prematurely terminated, since the contracts contain a clause that, the bank will calculate and pay interest by interest rate which is valid on the nearest maturity period of the deposit in accordance with the interest rates given in the offer.

In case of significant increase of the market interest rates, deposit may be terminated and replaced by new deposit with interest rate more favorable for the Company at lowest possible cost.

The investments are limited to relatively low risk financial investment forms in anticipation of earning a fair return relative to the risk being assumed.

The Company has no floating interest-bearing liabilities, while it incurs interest rate risk on cash deposits with banks and loans to employees. No policy to hedge the interest rate risk is in place. Changes in market interest rates affect the interest income on cash and cash equivalents and deposits with banks.

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.1. Market risk (continued)

Total interest-bearing assets are shown in the table below

In thousands of denars	31.12.2025	31.12.2024
Cash and cash equivalents	800,985	1,327,981
Deposits with banks	<u>307,475</u>	<u>-</u>
Net amount	<u>1,108,460</u>	<u>1,327,981</u>

Interest bearing assets are cash on bank accounts, which carry variable interest rates and weekly deposits which bear fixed interest.

Sensitivity analysis

A reasonably possible increase/decrease of 1 percentage point in the interest rates during the reporting period (assuming the year-end balance throughout the reporting period) would increase (decrease) the equity and the profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular the foreign currency exchange rates, remain constant. In view of the fact that the effect on the profit or loss would be the same as the effect on the equity, only the former is disclosed.

In thousands of denars 31.12.2025 Interest rate (1% movements)	Profit or loss	
	Higher	Lower
Cash and cash equivalents	8,010	(8,010)
Deposits with banks	<u>3,075</u>	<u>(3,075)</u>
Net effect	<u>11,085</u>	<u>(11,085)</u>

In thousands of denars 31.12.2024 Interest rate (1% movements)	Profit or loss	
	Higher	Lower
Cash and cash equivalents	<u>13,280</u>	<u>(13,280)</u>
Net effect	<u>13,280</u>	<u>(13,280)</u>

c) Other price risk

The Company's investments are in shares of other entities that are publicly traded on the Macedonian Stock Exchange, both on its Official and Regular market. The management continuously monitors the portfolio equity investments based on fundamental and technical analysis of the shares. All buy and sell decisions are subject to approval by the relevant Company's bodies. In line with the Company strategy, the investments within portfolio are kept until there are favorable market conditions for their sale.

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. As at 31 December 2025 and 31 December 2024, the Company holds investments, which could be affected by risk variables such as stock exchange prices.

The Company had MKD 508,632 thousand investments in shares of other entities that are publicly traded on the Macedonian Stock Exchange as at 31 December 2025 (2024: MKD 515,809).

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.1. Market risk (continued)

Sensitivity analysis

A possible increase/decrease of 20 percentage points in the price of investments in equity during the reporting period (assuming the year-end balance throughout the reporting period) would increase (decrease) the equity and the profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, remain constant. In view of the fact that the effect on the profit or loss would be the same as the effect on the equity, only the former is disclosed.

In thousands of denars	Profit or loss	
31.12.2025	Higher	Lower
Market price (20% movements)		
Investments in Equity instruments	<u>101,726</u>	<u>(101,726)</u>
Net effect	<u>101,726</u>	<u>(101,726)</u>

In thousands of denars	Profit or loss	
31.12.2024	Higher	Lower
Market price (20% movements)		
Investments in Equity instruments	<u>103,162</u>	<u>(103,162)</u>
Net effect	<u>103,162</u>	<u>(103,162)</u>

3.1.2. Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk from its operating activities and certain financing activities.

Counterparty limits are determined based on the provided Letter of guarantees in accordance with the market conditions of those banks willing to issue a bank guarantee. The total amount of bank guarantees that will be provided should cover the amount of the projected free cash of the Company.

With regard to financing activities, transactions are primarily to be concluded with counterparties (banks) that have at least a credit rating of BBB+ (or equivalent) or where the counterparty has provided a guarantee where the guarantor has to be at least BBB+ (or equivalent).

The depositing decisions are made based on the following priorities:

- To deposit in banks (Deutsche Telekom core banks, if possible) with provided bank guarantee from the banks with the best rating and the best quality wording of the bank guarantee;
- To deposit in banks with provided bank guarantee from the banks with lower rating and poorer quality wording of the bank guarantee;
- Upon harmonization and agreement with the parent company these rules can be altered for ensuring full credit risk coverage. If the total amount of deposits cannot be placed in banks covered with bank guarantees with at least BBB+ rating (or equivalent credit rating), then depositing will be performed in local banks without bank guarantee.

As of 31 December 2025, and 31 December 2024, cash and cash equivalents and bank deposits are not secured with guarantees. All cash and cash equivalent and bank deposits are allocated in five big domestic banks in Republic North Macedonia based on CAEL methodology rating for purpose of credit risk diversification and upon harmonization and agreement with the parent and ultimate parent companies.

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.2. Credit risk (continued)

The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process and court proceedings. The overdue payments are monitored based on customer's type amount of debt, average invoiced amount and number of disconnections.

The credit risk is controlled through credibility checking – which determines that the customer is not indebted and the customer's credit worthiness and through preventive barring – which determinates the credit limit based on the customer's previous traffic revenues.

The Company has no significant concentration of credit risk with any single counter party or group of counter parties having similar characteristics.

The Company's procedures ensure on a permanent basis that sales are made to customers with an appropriate credit history and not exceed an acceptable credit exposure limit.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Consequently, the Company considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the financial statement date.

Concentrations of credit risk relating to trade receivables are limited due to the large number of customers comprising the Company's customer base. Trade receivables from the largest customer as of 31 December 2025 amounts to MKD 73,287 thousand, which represents 1.30% of total gross receivables of the Company (2024: MKD 101,689, which represents 1.85% of total gross receivables). The concentration of credit risk toward this customer is significantly less than 20% of gross receivables at any time during the year and the Company has no significant exposure toward any other customer.

The annual bad debt expense of the Company in 2025 was 0.57% (2024: 1.09% of the revenue. For further information see Note 4.3.

3.1.3. Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time.

The investment portfolio should remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. This is accomplished by structuring the portfolio so that financial instruments mature concurrently with cash needs to meet anticipated demands.

The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks.

The Company's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Monthly, semi-annually and annually cash projections are prepared and updated on a daily basis.

The tables below show liabilities at 31 December 2025 and 2024 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows. As the financial liabilities are paid from the cash generated from the ongoing operations, the maturity analysis of the financial assets as at the end of the reporting periods (in comparison with the financial liabilities) would not be useful, therefore, is not included in the tables below.

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1.3. Liquidity risk (continued)

The maturity structure of the Company's contractual undiscounted cash flows as at 31 December 2025 is as follows:

In thousands of denars	Total	Demand and/or less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years
Trade payables	2,199,436	1,424,183	633,954	90,134	51,165
Liabilities to related parties	386,590	353,345	33,245	-	-
Other financial liabilities	847,564	71,678	76,931	283,668	415,287
	<u>3,433,590</u>	<u>1,849,206</u>	<u>744,130</u>	<u>373,802</u>	<u>466,452</u>

The maturity structure of the Company's contractual undiscounted cash flows as at 31 December 2024 is as follows:

In thousands of denars	Total	Demand and/or less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years
Trade payables	2,041,451	1,411,963	619,975	9,513	-
Liabilities to related parties	463,998	406,707	57,291	-	-
Other financial liabilities	807,313	76,341	84,439	208,492	438,041
	<u>3,312,762</u>	<u>1,895,011</u>	<u>761,705</u>	<u>218,005</u>	<u>438,041</u>

As of 31 December 2025, total short term financial assets of the Company amount to MKD 4,385,055 thousand which is higher MKD 1,398,358 thousand than short term financial liabilities. As of 31 December 2024, total short term financial assets of the Company amount to MKD 4,464,697 thousand which was higher MKD 1,608,943 thousand than short term financial liabilities. The Company does not have significant exposure to liquidity risk.

3.2. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The total amount of equity managed by the Company, as at 31 December 2025, is MKD 16,231,356 thousand, in accordance with the adopted international financial reporting standards published in the "Official Gazette of the Republic of North Macedonia" (2024: MKD 15,638,551 thousand). Out of this amount MKD 9,583,888 thousand (2024: MKD 9,583,888 thousand) represent share capital and MKD 958,389 thousand (2024: MKD 958,389 thousand) represent statutory reserves (Other reserves), which are not distributable (see note 2.12). The Company has also acquired treasury shares (see notes 2.11 and 21.1). The transaction is in compliance with the local legal requirements that as a result of acquiring treasury shares the total equity of the Company shall not be less than the amount of the share capital and reserves which are not distributable to shareholders by law or by Company's statute.

According the local legal requirements dividends can be paid out to the shareholders in amount that shall not exceed the net profit for the year as presented in the financial statements of the Company in accordance with the adopted international financial reporting standards published in the "Official Gazette of the Republic of North Macedonia", increased for the undistributed net profit from previous years or increased for the other distributable reserves, i.e. reserves that exceed the statutory reserves and other reserves defined by the Company's statute. The Company is in compliance with all statutory capital requirements.

Notes to the financial statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3. Fair value estimation

Cash and cash equivalents, trade receivables and other current financial assets mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values (see note 32.1).

The fair value of the non-current portion of trade receivables and employee loans is determined by using discounted cash-flow valuation technique.

The fair value of publicly traded financial assets at fair value through profit or loss is based on quoted market prices at the financial statement date.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly (Level 2); and
- (c) inputs for the asset that are not based on observable market data (Level 3).

Fair value quantitative disclosure can be seen in Note 32.1. where there is a comparative table with fair value amounts and carrying values for all financial assets.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety.

The fair value of floating rate instruments is normally approximated by their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Fair values of financial liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Financial liabilities included in the category Trade payables and Other financial liabilities mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair value of the long-term financial liabilities is determined by using discounted cash-flow valuation technique.

Notes to the financial statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are outlined below.

4.1. Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. We believe that the accounting estimate related to the determination of the useful lives of assets is a critical accounting estimate since it involves assumptions about technological development in an innovative industry and heavily dependent on the investment plans of the Company. Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position, and results of operations. As an example, if the Company was to shorten the average useful life of its assets by 10%, this would result in additional annual depreciation and amortization expense of approximately MKD 286,811 thousand (2024: MKD 293,483 thousand). See notes 13 and 14 for the changes made to useful lives in 2025.

4.2. Estimated impairment of property, plant and equipment, and intangible assets

We assess the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment of value is anticipated. The calculations of recoverable amounts are primarily determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, technological obsolescence, discontinuance of services and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, we also determine the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged. As this exercise is highly judgmental, the amount of a potential impairment may be significantly different from that of the result of these calculations. Management has performed an impairment test based on a 10 years cash flow projection and used a perpetual growth rate of 1% (2024: 1%) to determine the terminal value after 10 years. The discount rate used was 8.96% (2024: 8.00%). The impairment test did not result in impairment. The Company uses a 10-year period for impairment model in accordance with the Group approach on this subject.

4.3. Estimated expected credit loss of trade and other receivables

We calculate expected credit loss (ECL) for all accounts based on estimated losses resulting from the inability of our customers to make the required payments. For the largest customers, international customers and for customers under liquidation and bankruptcy proceedings ECL is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which we base our estimate on the aging of our account receivables balance and our historical write-off experience, customer credit-worthiness and recent changes in our customer payment terms (see note 2.3.1). These factors are reviewed annually, and changes are made to the calculations when necessary. In addition, we consider also the nature of the business (residential, business, fixed line, mobile etc.) and the environment in which the Company operates. In 2025 the Company carried out regular detailed analysis on the portfolio of customers on which collective assessment of impairment is performed which resulted in changes in the related impairment rates due to different payment behavior, resulting in new impairment rates of trade and other receivables. If the financial condition of our customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the ECL recognized so far (see note 3.1.2).

Notes to the financial statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.4. Provisions

Provisions in general are highly judgmental, especially in case of legal disputes. The Company assesses the probability of an adverse event as a result of a past event and if the probability of an outflow of economic benefits is evaluated to be more than 50%, the Company fully provides for the total amount of the estimated liability (see note 2.9). As the assessment of the probability is highly judgmental, in some cases the evaluation may not prove to be in line with the eventual outcome of the case. In order to determine the probabilities of an adverse outcome, the Company uses internal and external legal counsel (see note 20 and 33).

4.5. Costs of obtaining contracts with customers

The Company recognizes assets for costs incurred in connection with the signing of customer contracts which would not have been incurred if the customer contract had not been concluded. Capitalization is subject to the expectation that those costs will be recovered by future revenues resulting from the contract.

Costs of obtaining a contract with a customer includes sales commission to its employees, master dealer and sales agents. Costs of obtaining a contract with a customer are amortized during the average customer retention period which is based on historical customer retention data and past experiences in that business segment.

The Company decided not to use the practical expedient to expense incremental costs of obtaining a contract immediately, instead these are amortized over a period of one year or less.

5. CASH AND CASH EQUIVALENTS

In thousands of denars	31.12.2025	31.12.2024
Cash in bank	800,985	1,327,981
Cash on hand	16,602	16,566
	<u>817,587</u>	<u>1,344,547</u>

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
MKD	667,587	1,193,671
EUR	130,198	148,655
USD	19,802	2,221
	<u>817,587</u>	<u>1,344,547</u>

Following is the breakdown of cash in bank by credit rating in local banks without bank guarantee (see note 3.1.2):

In thousands of denars	31.12.2025	31.12.2024
Credit rating: A	157,977	341,009
Credit rating: BBB	132,983	241,919
Credit rating: BBB-	223,357	-
Credit rating: BB+	-	384,835
Credit rating: BB-	178,297	-
Credit rating: B-	-	345,726
Cash in local banks without rating	108,371	14,492
	<u>800,985</u>	<u>1,327,981</u>

The credit ratings in the table above represent either the credit rating of the local bank or the credit rating of the parent bank if no rating is available for the local bank.

Notes to the financial statements

6. DEPOSITS WITH BANKS

Deposits with banks represent cash deposits in reputable domestic banks, with interest rate of 2.00% p.a. and with maturity between 3 and 12 months.

The carrying amounts of the deposits with banks are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
EUR	307,475	-
	<u>307,475</u>	<u>-</u>

Following is the breakdown of deposits with banks without bank guarantee (see note 3.1.2):

In thousands of denars	31.12.2025	31.12.2024
Credit rating: A	307,475	-
	<u>307,475</u>	<u>-</u>

7. TRADE RECEIVABLES

In thousands of denars	31.12.2025	31.12.2024
Trade receivables from third parties	5,447,815	5,334,047
Less: allowance for expected credit losses	<u>(2,010,216)</u>	<u>(2,047,932)</u>
Trade receivables from third parties - net	<u>3,437,599</u>	<u>3,286,115</u>
Receivables from related parties	<u>170,751</u>	<u>176,211</u>
	<u>3,608,350</u>	<u>3,462,326</u>
Less non-current portion: Trade receivables from third parties	<u>(395,449)</u>	<u>(350,526)</u>
Current portion	<u>3,212,901</u>	<u>3,111,800</u>

Receivables from related parties represent receivables from members of Magyar Telekom and Deutsche Telekom Group (see note 34).

The non-current portion of domestic trade receivables represents receivables that are due within 4 years of the financial statement date.

The carrying amounts of the Company's non-current trade receivables are denominated in MKD.

The carrying amounts of the Company's current trade receivables are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
MKD	2,847,135	2,786,985
EUR	254,682	198,399
USD	110,519	124,658
Other	565	1,758
	<u>3,212,901</u>	<u>3,111,800</u>

Notes to the financial statements

7. TRADE RECEIVABLES (CONTINUED)

Age profile of Trade receivables

The following tables show the age profile of the Company's current trade receivables by days outstanding (past due). The carrying amounts of receivables are shown net of impairment losses charged as of the financial statement date.

In thousands of denars

	Carrying amount as of 31.12.2025	Of which not past due	Of which past due by Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Over 365 days
Trade receivables from third parties	3,042,150	2,315,170	337,993	58,456	38,533	61,293	103,529	127,176
Trade receivables related parties	170,751	93,920	4,271	1,069	1,635	7,110	20,725	42,021
Total net	3,212,901	2,409,090	342,264	59,525	40,168	68,403	124,254	169,197
Impairment amount	2,010,216	30,354	11,298	9,593	7,976	24,233	52,698	1,874,064
Total gross	5,223,117	2,439,444	353,562	69,118	48,144	92,636	176,952	2,043,261
Impairment rate	38.49%	1.24%	3.20%	13.88%	16.57%	26.16%	29.78%	91.72%

In thousands of denars

	Carrying amount as of 31.12.2024	Of which not past due	Of which past due by Less than 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Over 365 days
Trade receivables from third parties	2,935,589	2,240,212	350,567	84,371	41,523	80,641	48,441	89,834
Trade receivables related parties	176,211	108,749	16,938	2,148	4,092	5,718	13,041	25,525
Total net	3,111,800	2,348,961	367,505	86,519	45,615	86,359	61,482	115,359
Impairment amount	2,047,932	31,120	13,034	13,632	10,354	36,570	66,775	1,876,447
Total gross	5,159,732	2,380,081	380,539	100,151	55,969	122,929	128,257	1,991,806
Impairment rate	39.69%	1.31%	3.43%	13.61%	18.50%	29.75%	52.06%	94.21%

Notes to the financial statements

7. TRADE RECEIVABLES (CONTINUED)

The table below shows the impairment losses and changes of trade receivables therein for 2025 and 2024:

In thousands of denars	31.12.2025	31.12.2024
Impairment losses at 1 January	2,047,932	1,982,976
Charge for the year	72,007	134,207
Reversal of impairment or decrease due to write off	<u>(109,723)</u>	<u>(69,251)</u>
Impairment losses at 31 December	<u>2,010,216</u>	<u>2,047,932</u>

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The table below shows the impairment losses and changes of contract assets therein for 2025 and 2024:

In thousands of denars	31.12.2025	31.12.2024
Impairment losses at 1 January	103,547	103,322
Charge for the year	77,213	68,490
Reversal of impairment or decrease due to write off	<u>(73,640)</u>	<u>(68,265)</u>
Impairment losses at 31 December	<u>107,120</u>	<u>103,547</u>

8. OTHER FINANCIAL ASSETS

In thousands of denars	31.12.2025	31.12.2024
Loans to employees	1,151	2,474
Related parties	35,527	-
Other	<u>10,789</u>	<u>6,769</u>
	<u>47,467</u>	<u>9,243</u>
Less non-current portion: Loans to employees	<u>(375)</u>	<u>(893)</u>
Current portion	<u>47,092</u>	<u>8,350</u>

Loans to employees are collateralized by mortgages over real estate or with promissory note. Loans granted to employees carry effective interest rate of 4.55% p.a. (2024: 4.55% p.a.).

The non-current portion of Loans to employees represents receivables that are due within 3 years of the financial statements date.

The carrying amounts of the Company's non-current other financial assets are denominated in MKD.

The carrying amounts of the Company's current other financial assets are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
MKD	10,847	8,350
EUR	<u>36,245</u>	<u>-</u>
	<u>47,092</u>	<u>8,350</u>

Notes to the financial statements

9. OTHER ASSETS

In thousands of denars	31.12.2025	31.12.2024
Advances paid to suppliers	14,501	6,453
Prepayments	183,956	171,392
Asset recognized from the costs to obtain contracts with customers	80,501	69,776
Other	<u>612</u>	<u>1,542</u>
	<u>279,570</u>	<u>249,163</u>
Less non-current portion: Asset recognized from the costs to obtain contracts with customers	(14,910)	(13,919)
Less non-current portion: Other	<u>(612)</u>	<u>(612)</u>
Total non-current portion	<u>(15,522)</u>	<u>(14,531)</u>
Current portion	<u>264,048</u>	<u>234,632</u>

Other assets usually include current and non-current receivables, considered as non-financial instruments.

The carrying amounts of the Company's non-current other assets are denominated in MKD.

The carrying amounts of the Company's current other assets are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
MKD	241,682	226,654
EUR	21,433	7,003
USD	412	464
Other	<u>521</u>	<u>511</u>
	<u>264,048</u>	<u>234,632</u>

10. INVENTORIES

In thousands of denars	31.12.2025	31.12.2024
Materials	159,369	180,334
Inventories for resale	288,583	166,522
Allowance for inventories	<u>(15,466)</u>	<u>(16,690)</u>
	<u>432,486</u>	<u>330,166</u>

Movement in allowance for inventories:

In thousands of denars	31.12.2025	31.12.2024
Allowance at 1 January	16,690	14,783
Write down/(release) of inventories to net realizable value	<u>(1,224)</u>	<u>1,907</u>
Allowance at 31 December	<u>15,466</u>	<u>16,690</u>

Allowance for inventory mainly relates to inventories for resale. Write down of inventories to net realizable value is based on the analysis of the lower of cost and net realizable value at the financial statement dates.

Notes to the financial statements

11. ASSETS HELD FOR SALE

As of 31 December 2023, assets held for sale mainly refer to Radio access network (RAN) equipment, which has been determined for sale and customer contract has been already signed. These assets are result of the implementation of the RAN Project for modernization of the existing radio technologies (2G, 3G, 4G) and introduction of a new 5G technology which project was successfully completed in 2023. These assets were sold in the course of 2023 and 2024.

In 2025 one building has been reclassified as asset held for sale.

Movement in assets held for sale:

In thousands of denars	2025	2024
At 1 January	-	13,710
Transfers from property, plant, and equipment	1,066	-
Disposals	-	<u>(13,710)</u>
At 31 December	<u>1,066</u>	<u>-</u>

Notes to the financial statements

12. RIGHT OF USE ASSETS

In thousands of denars	Leased land assets	Leased building assets	Leased vehicles and other equipment	Total
Cost				
At 1 January 2024	324,793	581,292	121,468	1,027,553
Additions	36,304	79,756	25,620	141,680
Disposals	(56)	(11,476)	(16,008)	(27,540)
At 31 December 2024	<u>361,041</u>	<u>649,572</u>	<u>131,080</u>	<u>1,141,693</u>
Depreciation				
At 1 January 2024	185,897	369,718	59,596	615,211
Charge for the year	46,689	92,846	23,300	162,835
Disposals	(2)	(11,458)	(16,008)	(27,468)
At 31 December 2024	<u>232,584</u>	<u>451,106</u>	<u>66,888</u>	<u>750,578</u>
Carrying amount				
At 1 January 2024	<u>138,896</u>	<u>211,574</u>	<u>61,872</u>	<u>412,342</u>
At 31 December 2024	<u>128,457</u>	<u>198,466</u>	<u>64,192</u>	<u>391,115</u>
In thousands of denars	Leased land assets	Leased building assets	Leased vehicles and other equipment	Total
Cost				
At 1 January 2025	361,041	649,572	131,080	1,141,693
Additions	37,263	83,043	105,779	226,085
Disposals	-	(29,458)	(1,683)	(31,141)
At 31 December 2025	<u>398,304</u>	<u>703,157</u>	<u>235,176</u>	<u>1,336,637</u>
Depreciation				
At 1 January 2025	232,584	451,106	66,888	750,578
Charge for the year	47,684	84,729	29,068	161,481
Disposals	-	(23,176)	(1,683)	(24,859)
At 31 December 2025	<u>280,268</u>	<u>512,659</u>	<u>94,273</u>	<u>887,200</u>
Carrying amount				
At 1 January 2025	<u>128,457</u>	<u>198,466</u>	<u>64,192</u>	<u>391,115</u>
At 31 December 2025	<u>118,036</u>	<u>190,498</u>	<u>140,903</u>	<u>449,437</u>

Corresponding lease liabilities are presented in the note 17.

Leases of land and buildings for purposes to place antennas and base stations has generally lease terms of 10 years, and rents for shops are generally between 1 and 5 years, while vehicles and other equipment generally have lease terms of 5 years.

Notes to the financial statements

12. RIGHT OF USE ASSETS (CONTINUED)

Amounts recognized in profit and loss in relation to leases for the years ended 31 December 2025 and 2024 are as follows:

In thousands of denars	2025	2024
Depreciation expense on right of use assets	161,481	162,835
Interest expense on lease liabilities	24,359	24,950
Expense relating to variable lease payments not included in the measurement of the lease liability	14,192	10,937
Income from sub-leasing right-of-use assets	11,691	11,761

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of denars	Land	Buildings	Telecommunication Equipment	Other	Assets under construction	Total
Cost						
At 1 January 2024	10,777	5,576,265	24,704,084	2,564,971	986,113	33,842,210
Additions	-	6,002	898,129	54,488	287,971	1,246,590
Assets activation/transfers between group of assets	-	8,606	(590,660)	904,481	(342,494)	(20,067)
Disposals	-	(11,694)	(349,107)	(123,508)	(1,487)	(485,796)
At 31 December 2024	<u>10,777</u>	<u>5,579,179</u>	<u>24,662,446</u>	<u>3,400,432</u>	<u>930,103</u>	<u>34,582,937</u>
Depreciation						
At 1 January 2024	-	3,075,310	17,748,788	2,153,633	-	22,977,731
Charge for the year	-	130,143	1,094,476	108,364	-	1,332,983
Disposals	-	(9,065)	(348,600)	(122,069)	-	(479,734)
Transfers between group of assets (see note 14)	-	383	(821,995)	821,612	-	-
At 31 December 2024	<u>-</u>	<u>3,196,771</u>	<u>17,672,669</u>	<u>2,961,540</u>	<u>-</u>	<u>23,830,980</u>
Carrying amount						
At 1 January 2024	<u>10,777</u>	<u>2,500,955</u>	<u>6,955,296</u>	<u>411,338</u>	<u>986,113</u>	<u>10,864,479</u>
At 31 December 2024	<u>10,777</u>	<u>2,382,408</u>	<u>6,989,777</u>	<u>438,892</u>	<u>930,103</u>	<u>10,751,957</u>

Notes to the financial statements

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In thousands of denars	Land	Buildings	Telecommunication Equipment	Other	Assets under construction	Total
Cost						
At 1 January 2025	10,777	5,579,179	24,662,446	3,400,432	930,103	34,582,937
Additions	-	3,460	1,001,834	57,284	582,672	1,645,250
Assets activation/transfers between group of assets (see note 14)						
	-	15,207	181,385	16,214	(343,463)	(130,657)
Transfer from/to assets held for sale						
	-	(13,855)	-	-	-	(13,855)
Disposals	(858)	(5,348)	(171,044)	(63,167)	(382)	(240,799)
At 31 December 2025	<u>9,919</u>	<u>5,578,643</u>	<u>25,674,621</u>	<u>3,410,763</u>	<u>1,168,930</u>	<u>35,842,876</u>
Depreciation						
At 1 January 2025	-	3,196,771	17,672,669	2,961,540	-	23,830,980
Charge for the year	-	124,938	1,095,170	93,839	-	1,313,947
Disposals	-	(6,206)	(170,773)	(62,480)	-	(239,459)
Transfer from/to assets held for sale						
	-	(12,789)	-	-	-	(12,789)
Transfers between group of assets (see note 14)						
	-	-	(4,641)	-	-	(4,641)
At 31 December 2025	<u>-</u>	<u>3,302,714</u>	<u>18,592,425</u>	<u>2,992,899</u>	<u>-</u>	<u>24,888,038</u>
Carrying amount						
At 1 January 2025	<u>10,777</u>	<u>2,382,408</u>	<u>6,989,777</u>	<u>438,892</u>	<u>930,103</u>	<u>10,751,957</u>
At 31 December 2025	<u>9,919</u>	<u>2,275,929</u>	<u>7,082,196</u>	<u>417,864</u>	<u>1,168,930</u>	<u>10,954,838</u>

In 2025, the Company capitalized expenditures related to obtaining complete documentation for base stations in amount of - MKD 9,643 thousand (2024: MKD 1,361 thousand). In addition, in 2025, the Company capitalized expenditures related to obtaining complete documentation for fixed line infrastructure in amount of MKD 50 thousand in accordance with applicable laws in Republic of North Macedonia (2024: MKD 32 thousand) (see note 2.6).

Regular reviews of the useful lives and residual values of property, plant and equipment during 2025 affected the lives of several types of assets, technology assets, network and platforms. The change of the useful life on the affected assets was made due to technological changes and business plans of the Company (see note 4.1). The reviews resulted in the following change in the original trend of depreciation in the current and future years:

In thousands of denars	2025	2026	2027	2028	After 2028
(Decrease)/increase in depreciation	<u>(66,773)</u>	<u>(54,383)</u>	<u>457</u>	<u>42,439</u>	<u>78,260</u>
	<u>(66,773)</u>	<u>(54,383)</u>	<u>457</u>	<u>42,439</u>	<u>78,260</u>

Notes to the financial statements

14. INTANGIBLE ASSETS

In thousands of denars	Software and software licenses	Concession licenses	TV content rights and other	Assets under construction	Total
Cost					
At 1 January 2024	5,807,964	2,213,316	2,240,155	134,622	10,396,057
Additions	359,671	-	438,298	110,141	908,110
Assets activation/transfers between group of assets (see note 13)					
	154,688	-	-	(134,621)	20,067
Disposals	(19,206)	-	(1,152,159)	-	(1,171,365)
At 31 December 2024	<u>6,303,117</u>	<u>2,213,316</u>	<u>1,526,294</u>	<u>110,142</u>	<u>10,152,869</u>
Amortization					
At 1 January 2024	4,572,096	1,280,034	1,036,858	-	6,888,988
Charge for the year	501,907	98,921	544,703	-	1,145,531
Disposals	(19,206)	-	(1,152,159)	-	(1,171,365)
At 31 December 2024	<u>5,054,797</u>	<u>1,378,955</u>	<u>429,402</u>	<u>-</u>	<u>6,863,154</u>
Carrying amount					
At 1 January 2024	<u>1,235,868</u>	<u>933,282</u>	<u>1,203,297</u>	<u>134,622</u>	<u>3,507,069</u>
At 31 December 2024	<u>1,248,320</u>	<u>834,361</u>	<u>1,096,892</u>	<u>110,142</u>	<u>3,289,715</u>

In 2024 eight contracts (including the prolongation of cooperation) for TV content rights were identified as qualifying for capitalization. Accordingly, these rights were recognized in 2024 in Intangible assets, category TV content rights and other, at the net present value of future payments in amount of MKD 438,298 thousand and will be amortized over the contracts term (see note 16 and 26).

In thousands of denars	Software and software licenses	Concession licenses	TV content rights and other	Assets under construction	Total
Cost					
At 1 January 2025	6,303,117	2,213,316	1,526,294	110,142	10,152,869
Additions	402,758	-	327,813	257,939	988,510
Assets activation/transfers between group of assets (see note 13)					
	194,088	-	-	(63,431)	130,657
Disposals	(12,600)	-	(440,052)	-	(452,652)
At 31 December 2025	<u>6,887,363</u>	<u>2,213,316</u>	<u>1,414,055</u>	<u>304,650</u>	<u>10,819,384</u>
Amortization					
At 1 January 2025	5,054,797	1,378,955	429,402	-	6,863,154
Charge for the year	508,233	98,921	498,721	-	1,105,875
Disposals	(12,600)	-	(358,163)	-	(370,763)
Transfer between group of assets (see note 13)					
	4,641	-	-	-	4,641
At 31 December 2025	<u>5,555,071</u>	<u>1,477,876</u>	<u>569,960</u>	<u>-</u>	<u>7,602,907</u>
Carrying amount					
At 1 January 2025	<u>1,248,320</u>	<u>834,361</u>	<u>1,096,892</u>	<u>110,142</u>	<u>3,289,715</u>
At 31 December 2025	<u>1,332,292</u>	<u>735,440</u>	<u>844,095</u>	<u>304,650</u>	<u>3,216,477</u>

Notes to the financial statements

14. INTANGIBLE ASSETS (CONTINUED)

In 2025 seven contracts (including the prolongation of cooperation) for TV content rights were identified as qualifying for capitalization. Accordingly, these rights were recognized in 2025 in Intangible assets, category TV content rights and other, at the net present value of future payments in amount of MKD 327,813 thousand and will be amortized over the contracts term (see note 16 and 26).

One contract has been derecognized in 2025 in amount of MKD 81,889 thousand due to loss of content rights on parter side (see note 16).

The reviews of the useful lives of intangible assets during 2025 affected the lives of a number of assets, mainly license and software. The change on the useful life of the affected intangible assets was made according to technological changes and business plans of the Company. The reviews resulted in the following change in the original trend of amortization in the current and future years:

In thousands of denars	2025	2026	2027	2028	After 2028
(Decrease)/increase in amortization	(34,260)	(29,555)	(4,378)	53,620	14,573
	<u>(34,260)</u>	<u>(29,555)</u>	<u>(4,378)</u>	<u>53,620</u>	<u>14,573</u>

15. TRADE PAYABLES

In thousands of denars	31.12.2025	31.12.2024
Trade payables to third parties	2,199,436	2,041,451
Liabilities to related parties	<u>385,544</u>	<u>454,029</u>
	<u><u>2,584,980</u></u>	<u><u>2,495,480</u></u>

Liabilities to related parties represent liabilities to members of Magyar and Deutsche Telekom Group (see note 34).

The carrying amounts of the trade payables are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
MKD	1,507,215	1,160,355
EUR	869,660	1,099,837
USD	207,514	229,110
Other	<u>591</u>	<u>6,178</u>
	<u><u>2,584,980</u></u>	<u><u>2,495,480</u></u>

16. OTHER FINANCIAL LIABILITIES

In thousands of denars	31.12.2025	31.12.2024
Liabilities for TV content right	772,327	811,736
Liabilities to related parties	1,046	9,969
Other current financial liabilities	8,832	2,181
Dividends payable	<u>8,166</u>	<u>7,012</u>
	<u><u>790,371</u></u>	<u><u>830,898</u></u>
Less non-current portion: Liabilities for TV content right	<u>(388,654)</u>	<u>(470,624)</u>
Current portion	<u><u>401,717</u></u>	<u><u>360,274</u></u>

Notes to the financial statements

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities of MKD 772,327 thousand (2024: MKD 811,736 thousand) represent the carrying amount of long-term liabilities related to the capitalization of certain content right contracts in 2022, 2023, 2024 and 2025 (see note 14). These liabilities are recognized initially at the net present value of future payments and subsequently measured at amortized cost using the effective interest method. The unwinding of the discount is being recognized in interest expense in profit or loss (see note 26). The carrying amount of these liabilities approximates their fair value as the related cash flows are discounted with an interest rate of 3.25% p.a. which is observable at the market for similar long-term financial liabilities.

The balance of the other financial liabilities arises from contractual obligations for various transactions, from the ordinary course of business of the Company.

The movement of the liabilities for TV content right:

In thousands of denars	2025	2024
1 January	811,736	851,615
Addition	327,813	438,298
Interest charged	8,947	27,346
Repayment of principal	(270,905)	(478,709)
Repayment of interest	(12,999)	(29,325)
Derecognition	(81,889)	-
Effect from exchange rate valuation	(10,376)	2,511
31 December	<u>772,327</u>	<u>811,736</u>

The carrying amounts of the Company's non-current portion of other financial liabilities are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
EUR	352,027	395,593
USD	<u>36,627</u>	<u>75,031</u>
	<u>388,654</u>	<u>470,624</u>

The carrying amounts of the current portion of other financial liabilities are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
MKD	15,912	8,063
EUR	350,644	311,559
USD	<u>35,161</u>	<u>40,652</u>
	<u>401,717</u>	<u>360,274</u>

17. LEASE LIABILITIES

Analyses of total lease liabilities:

In thousands of denars	31.12.2025	31.12.2024
Current	143,586	132,500
Non-current	<u>317,061</u>	<u>261,685</u>
	<u>460,647</u>	<u>394,185</u>

Assets related to these lease liabilities are presented in note 12.

Notes to the financial statements

17. LEASE LIABILITIES (CONTINUED)

The carrying amounts of lease liabilities are denominated in the following currencies:

In thousands of denars	31.12.2025	31.12.2024
EUR	430,239	363,088
MKD	<u>30,408</u>	<u>31,097</u>
	<u>460,647</u>	<u>394,185</u>

Future cash outflows to which the Company is potentially exposed due to the extension options in the lease contracts which are not reflected in the measurement of lease liabilities total to MKD 437,490 thousand as of 31 December 2025 (2024: MKD 384,892 thousand).

During the period the total amount of lease payments made for 2025 and 2024 are as follows:

In thousands of denars	31.12.2025	31.12.2024
Fixed payments	161,201	152,515
Variable payments	<u>14,453</u>	<u>15,086</u>
	<u>175,654</u>	<u>167,601</u>

Maturity analysis of lease liabilities as of 31 December 2025 and 2024 is as follows:

In thousands of denars	31.12.2025	31.12.2024
Less than 1 year	168,226	153,376
From 1 to 2 years	114,701	113,050
From 2 to 3 years	93,797	71,333
From 3 to 4 years	71,127	51,903
From 4 to 5 years	46,146	29,513
Above 5 years	<u>32,801</u>	<u>29,078</u>
	<u>526,798</u>	<u>448,253</u>
Less unearned interest	<u>(66,151)</u>	<u>(54,068)</u>
	<u>460,647</u>	<u>394,185</u>

18. OTHER CURRENT LIABILITIES

In thousands of denars	31.12.2025	31.12.2024
Salaries, wages and bonuses	76,651	87,197
Other taxes and social security	1,459	1,466
Other tax payables	51,273	82,574
Deferred revenue	11,097	6,341
Other current liabilities	<u>25,817</u>	<u>25,507</u>
	<u>166,297</u>	<u>203,085</u>

Notes to the financial statements

19. DEFERRED INCOME TAX

Recognized deferred income tax (assets)/liabilities are attributable to the following items:

In thousands of denars	Assets		Liabilities		Net	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Property, plant and equipment	(2,675)	-	-	7,289	(2,675)	7,289
Intangible assets	(29,932)	(38,634)	-	-	(29,932)	(38,634)
IFRS 15	-	-	-	40,392	-	40,392
(Right of use asset)/Lease Liabilities of IFRS 16	-	(39,419)	-	39,112	-	(307)
Tax (assets)/liabilities	(32,607)	(78,053)	-	86,793	(32,607)	8,740

Movement in temporary differences during the year:

In thousands of denars	Balance 1 January 2025	Effects on profit	Balance 31 December 2025
Property, plant and equipment	7,289	(9,964)	(2,675)
Intangible assets	(38,634)	8,702	(29,932)
IFRS 15	40,392	(40,392)	-
(Right of use asset)/Lease Liabilities of IFRS 16	(307)	307	-
	8,740	(41,347)	(32,607)

In thousands of denars	Balance 1 January 2024	Effects on profit	Balance 31 December 2024
Property, plant and equipment	2,747	4,542	7,289
Intangible assets	(45,641)	7,007	(38,634)
IFRS 15	42,283	(1,891)	40,392
(Right of use asset)/Lease Liabilities of IFRS 16	1,542	(1,849)	(307)
	931	7,809	8,740

The temporary differences presented above relates to different carrying amount of property, plant and equipment and intangible assets and the carrying amount of property, plant and equipment and intangible assets based on the tax prescribed depreciation rates and currently applicable rules. With the transition to the IFRS 15 and IFRS 16, the standards on Revenue from contracts with customers and Lease, temporary difference arise, as these standards were not part of the adopted international financial reporting standards published in the “Official Gazette of the Republic of North Macedonia”, at that time. The deferred income taxes related to the latest, are releases in 2025, as IFRS 15 and IFRS 16 standards, are adopted and, published in the “Official Gazette of the Republic of North Macedonia” and are effective as of 1 January 2025.

Notes to the financial statements

20. PROVISION FOR LIABILITIES AND CHARGES

In thousands of denars	Legal cases	Employee benefits	Total
1 January 2024	11,211	116,638	127,849
Additional provision	241,100	131,722	372,822
Unused amount reversed	(55)	(4,567)	(4,622)
Used during period	(5,751)	(46,326)	(52,077)
Other	(1,337)	1,262	(75)
31 December 2024	<u>245,168</u>	<u>198,729</u>	<u>443,897</u>

In thousands of denars	Legal cases	Employee benefits	Total
1 January 2025	245,168	198,729	443,897
Additional provision	19,552	75,877	95,429
Unused amount reversed	(238)	(18,510)	(18,748)
Used during period	(715)	(71,551)	(72,266)
Other	-	35,527	35,527
31 December 2025	<u>263,767</u>	<u>220,072</u>	<u>483,839</u>

Analysis of total provisions:

In thousands of denars	31.12.2025	31.12.2024
Non-current	124,745	126,005
Current	<u>359,094</u>	<u>317,892</u>
	<u>483,839</u>	<u>443,897</u>

Provisions for legal cases relate to certain legal and regulatory claims brought against the Company.

There are a number of legal cases for which provisions were recognized. Management recognizes a provision for its best estimate of the obligation but does not disclose the information required by paragraph 92 of IAS 37 because the management believes that to do so would seriously prejudice the outcome of the case. Management does not expect that the outcome of these legal claims will give rise to any significant loss beyond the amounts provided at 31 December 2025.

Item "Employee benefits" includes provision made for the legal or contractual obligation of the Company to pay to employees three average monthly salaries in Republic of North Macedonia at their retirement date (see note 2.14.1) and provision for long-term incentive programs (see note 35). The provision is recognized against Personnel expenses in the profit or loss.

21. EQUITY

Share capital consists of the following:

In thousands of denars	31.12.2025	31.12.2024
Ordinary shares	9,583,878	9,583,878
Golden share	<u>10</u>	<u>10</u>
	<u>9,583,888</u>	<u>9,583,888</u>

Share capital consists of one golden share with a nominal value of MKD 9,733 and 95,838,780 ordinary shares with a nominal value of MKD 100 each.

Notes to the financial statements

21. EQUITY (CONTINUED)

The golden share with a nominal value of MKD 9,733 is held by the Government of the Republic of North Macedonia. In accordance with Article 16 of the Statute, the golden shareholder has additional rights not vested in the holders of ordinary shares. Namely, no decision or resolution of the Shareholders' Assembly related to: generating, distributing or issuing of share capital; integration, merging, separation, consolidation, transformation, reconstruction, termination or liquidation of the Company; alteration of the Company's principal business activities or the scope thereof; sale or abandonment either of the principal business activities or of significant assets of the Company; amendment of the Statute of the Company in such a way so as to modify or cancel the rights arising from the golden share; or change of the brand name of the Company; is valid if the holder of the golden share, votes against the respective resolution or decision. The rights vested in the holder of the golden share are given in details in the [Company's Statute](#), which can be found on our Corporate web site in the Investor relations section.

As at 31 December 2025 and 2024, the shares of the Company were held as follows:

In thousands of denars	31.12.2025	%	31.12.2024	%
Stonebridge AD Skopje	4,887,778	51.00	4,887,778	51.00
Government of the Republic of North Macedonia	3,336,497	34.81	3,336,497	34.81
The Company (treasury shares)	958,388	10.00	958,388	10.00
Sava Pension funds	92,479	0.97	92,479	0.97
International Finance Corporation (IFC)	66,248	0.69	73,108	0.76
Other minority shareholders	242,498	2.53	235,638	2.46
	<u>9,583,888</u>	<u>100.00</u>	<u>9,583,888</u>	<u>100.00</u>

21.1. Treasury shares

The Company acquired 9,583,878 of its own shares, representing 10% of its shares, through the Macedonian Stock Exchange during June 2006. The total amount paid to acquire the shares, net of income tax, was MKD 3,843,505 thousand. The shares are held as treasury shares.

The amount of treasury shares of MKD 3,738,358 thousand, has been deducted from shareholders' equity. The Company has the right to reissue these shares at a later date. All shares issued by the Company were fully paid.

Notes to the financial statements

22. REVENUES

In thousands of denars	2025	2024
Revenues from fixed line operations		
Internet	1,199,606	1,122,469
TV	903,199	861,506
Voice retail	798,009	818,381
Data	502,254	492,849
Wholesale	419,989	482,753
Equipment	13,864	17,193
Other	104,851	107,020
	<u>3,941,772</u>	<u>3,902,171</u>
Revenues from mobile operations		
Internet	2,841,160	2,503,683
Equipment	2,073,655	1,993,549
Voice retail	1,826,565	1,874,337
Wholesale	537,123	580,242
Data	454,789	459,177
Voice visitor	130,596	155,921
Content	72,808	71,511
Other	321,183	325,438
	<u>8,257,879</u>	<u>7,963,858</u>
SI/IT revenues	329,115	274,605
Other services	61,043	62,003
	<u>12,589,809</u>	<u>12,202,637</u>
Of which:		
Revenue from contracts with customers	12,470,034	12,078,565
Other sources	119,775	124,072

Other sources of revenue include rental fees, and other revenues which are presented above in the Revenue from other sources Other fixed revenues and Other mobile revenues.

Equipment revenue is recognized at a point in time while service revenue is recognized over time. SI/IT revenue is recognized mostly over time and to a lesser extent at a point in time depending on the project.

22.1. Assets and liabilities related to the contracts with customers

Contract assets of the Company consist of unbilled amounts typically resulting from sales under long-term contracts when revenue recognized exceeds the amount billed to the customer. The current portion of contract assets is included in Trade receivables and other assets in the Statement of financial position. The non-current portion of contract assets is included accordingly in the non-current section of the Statement of financial position - Trade receivables and other assets. Contract liabilities consist of advance payments and billings in excess of costs incurred and deferred revenue. The current portion of contract liabilities is included in Trade payables and other liabilities in the Statement of financial position. The non-current portion of contract liabilities is included accordingly in the non-current section of the Statement of financial position - Other liabilities.

Notes to the financial statements

22. REVENUES (CONTINUED)

22.1. Assets and liabilities related to the contracts with customers (continued)

In thousands of denars	31.12.2025	31.12.2024
Contract assets – current	273,041	262,984
Contract assets – noncurrent	96,549	71,262
Contract liabilities – current	(191,190)	(189,163)
Contract liabilities – noncurrent	(1)	(5)
Net contract assets (liabilities)	<u>178,399</u>	<u>145,078</u>

Revenue recognized in the reporting period from amounts included in contract liability at the beginning of the period	103,944	177,538
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Impairment losses recognized on contract assets are disclosed together with trade receivables in note 7 and they amounted to MKD 107,120 thousand as at 31 December 2025 (2024: MKD: 103,547 thousand).

As of 31 December, 2025, the aggregate amount of the transaction price allocated to the remaining performance obligation is MKD 3,889,836 thousand (2024: MKD 4,316,014 thousand) and the Company will recognize this revenue as services are rendered, which is expected to occur over the next 27 months (2024: 28 months).

The Company did not account for revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

23. PERSONNEL EXPENSES

In thousands of denars	2025	2024
Salaries	807,629	758,456
Contributions on salaries	301,830	290,742
Other staff costs	168,721	198,920
Bonus payments	147,657	140,090
Capitalized personnel costs	(91,578)	(76,577)
	<u>1,334,259</u>	<u>1,311,631</u>

Other staff costs include termination benefits, holiday allowance and other benefits for employees and managers who have left the Company in an amount of MKD 70,979 thousand for 46 persons (2024: MKD 82,927 thousand for 49 persons). As of 31 December 2025, there were no outstanding liabilities (2024: out of total cost, the amount MKD 68,744 thousand was paid out while MKD 14,183 thousand were presented as Other current liabilities) (see note 18).

Bonus payments also include the cost for long-term incentive programs (see note 35).

Notes to the financial statements

24. OTHER OPERATING EXPENSES AND PAYMENTS TO OTHER NETWORK OPERATORS

In thousands of denars	2025	2024
Purchase cost of goods sold	2,340,753	2,129,046
Services	573,116	576,334
Materials and maintenance	363,430	383,084
Energy	355,870	360,644
Fees, levies and local taxes	301,766	302,481
Services from subcontractors	295,061	259,880
Marketing and donations	216,433	214,849
Royalty payments	82,386	74,900
Consultancy	12,989	11,931
Insurance	11,486	10,897
Write down of inventories	4,624	5,594
Legal costs and provisions	802	138,016
(Release)/write down of inventories to net realizable value	(1,224)	1,907
Other	53,845	31,656
	<u>4,611,337</u>	<u>4,501,219</u>

Services mainly include agent commissions, postal expenses, services for support of IT applications and systems, security, cleaning, and utilities.

Purchase cost of goods sold include costs for sold equipment in fixed and mobile operations and as well as equipment sold in SI/IT projects. Corresponding revenue is presented in note 22.

Payments to other network operators in amount of MKD 1,102,042 thousand (2024: MKD 1,114,093 thousand) represents interconnection and roaming costs with other telecommunication operators.

25. OTHER OPERATING INCOME

In thousands of denars	2025	2024
Net gain on sale of PPE	1,702	5,717
Other	61,971	20,034
	<u>63,673</u>	<u>25,751</u>

In the category Other, amounts mainly relate to sales of waste, mainly copper cables and re-invoicing of different operating expenses.

26. FINANCE EXPENSES

In thousands of denars	2025	2024
Interest from lease liabilities	24,359	24,950
Interest from liabilities for TV content rights	8,947	27,346
Fair value through profit and loss	7,176	-
Net foreign exchange loss	-	8,639
Other	20,216	105,187
	<u>60,698</u>	<u>166,122</u>

Interest expense from liabilities for TV content right represents the unwinding of the discount related to the carrying amount of long-term payables from the content right contracts capitalized, recognized initially at the net present value of future payments and subsequently measured at amortized cost using the effective interest method (see note 16). Interest expense from leases is coming from leases in relation to the Lease liabilities recognized (see note 17). Other category represent mainly interest related to provisions (see note 20).

Notes to the financial statements

27. FINANCE INCOME

In thousands of denars	2025	2024
Dividend income	23,176	17,297
Net foreign exchange gain	17,940	-
Interest income	11,770	5,565
Fair value through profit and loss	-	241,308
	<u>52,886</u>	<u>264,170</u>

Dividend income arises from financial assets at fair value through profit and loss. The amount of Interest income is mainly generated from financial assets classified as Financial assets measured at an amortized cost.

28. INCOME TAX EXPENSE

Recognized in the statement of comprehensive income:

In thousands of denars	2025	2024
Current tax expense		
Current year	318,603	290,546
Global minimum tax	<u>55,237</u>	<u>19,269</u>
Total tax expense	<u>373,840</u>	<u>309,815</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(41,347)</u>	<u>7,809</u>
Total income tax in the statement of comprehensive income	<u>332,493</u>	<u>317,624</u>

Temporary differences arise in relation to the recognized different tax assets/liabilities (see note 19).

Global minimum tax:

Regulations in accordance with the OECD Pillar-2 Model Rules which shall ensure a minimum level of taxation for multinational Groups, were implemented into the domestic legislation of the in Republic of North Macedonia. The Company, being part of Magyar and Deutsche Telekom Group, falls in the scope of these regulations which came into force for the current reporting period.

As of 31 December 2025, a provision of MKD 74,506 thousand (2024: 19,269 thousand) for global minimum taxes has been recorded in the financial statements. In May 2023, the IASB published a temporary exemption from deferred tax accounting related to the global minimum taxes. This exemption as defined in IAS 12.4A is applied, hence no deferred taxes are recorded with respect to the global minimum taxes and no respective notes are given.

Reconciliation of effective tax rate:

In thousands of denars		2025		2024
Profit before tax		<u>2,867,509</u>		<u>2,556,438</u>
Income tax	10.00%	286,751	10.00%	255,644
Non-deductible expenses	1.89%	54,069	2.47%	63,062
Global minimum tax	1.93%	55,237	0.75%	19,269
Tax/(credit) in the future periods from depreciation	(0.04%)	(1,262)	0.93%	23,776
Tax credit from depreciation	(0.69%)	(19,929)	(1.66%)	(42,408)
Releases from IFRS 15 & IFRS 16	(1.40%)	(40,085)	-	-
Tax exempt revenues	(0.08%)	(2,288)	(0.07%)	(1,719)
		<u>11.61%</u>		<u>12.42%</u>
		<u>332,493</u>		<u>317,624</u>

Notes to the financial statements

29. DIVIDENDS

The Shareholders' Assembly of the Company, at its meeting, held on 30 May 2025 adopted a Resolution for the dividend payment for the year 2024 and determination of the dividend calendar in the total gross amount of MKD 2,382,421 thousand from the net profit generated as per the Financial Statements of the Company for the year 2024 in accordance with the adopted international financial reporting standards published in the "Official Gazette of the Republic of North Macedonia". Gross amount of dividend per share for 2024 is MKD 27.62. The dividend was paid out in September 2025. Up to the date of issuing of these financial statements, no dividends have been declared for 2025.

On 29 May 2024 Shareholders' Assembly of the Company adopted a Resolution for the dividend payment for the year 2023 and determination of the dividend calendar in the total gross amount of MKD 2,212,068 thousand from the net profit generated as per the Financial Statements of the Company for the year 2023 in accordance with the adopted international financial reporting standards published in the "Official Gazette of the Republic of North Macedonia". Gross amount of dividend per share for 2023 was MKD 25.65. The dividend was paid out in September 2024.

30. REPORTABLE SEGMENTS AND INFORMATION

30.1. Reportable segments

The Company's reportable segments are: business, residential, wholesale segments and other.

Residential segment is consisted of consumer subscribers who are directly owned human subscribers without business subscribers (i.e. self-employed individuals or legal entities offering chargeable products and/or services to customers, non-profit organizations and public organizations). Business segment is consisted of business subscribers which are all directly owned human subscribers who are either self-employed individuals or employees of a legal entity that offers chargeable products and/or services to customers. Employees or members of non-profit and public organizations are also business subscribers. Wholesale comprises all services with telecommunication carriers for both mobile and fixed line, i.e. carrier services, mobile VNO and visitors.

30.2. Information regularly provided to the chief operating decision maker

The following tables present the segment information by reportable segment regularly provided to the Chief operating decision maker of the Company. The information regularly provided to the MC (Management Committee) includes several measures of profit which are considered for the purposes of assessing performance and allocating resources. Management believes that direct margin which is defined as revenues less direct costs less Impairment losses on trade and other receivables is the segment measure that is most consistent with the measurement principles used in measuring the corresponding amounts in these financial statements. Another important KPI monitored at Company level is EBITDA adjusted for the impact of certain items considered as "special influence". These items vary year-over-year in nature and magnitude.

Notes to the financial statements

30. REPORTABLE SEGMENTS AND INFORMATION (CONTINUED)

30.2. Information regularly provided to the chief operating decision maker (continued)

Revenues

In thousands of denars

	2025	2024
Residential segment revenues	8,875,084	8,515,515
Business segment revenues	2,759,847	2,652,942
Wholesale segment revenues	929,050	1,013,264
Other segment revenues	25,828	20,916
	<u>12,589,809</u>	<u>12,202,637</u>

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

Segment results (Direct margin)

In thousands of denars

	2025	2024
Direct margin		
Residential segment	6,110,646	5,943,451
Business segment	1,864,793	1,770,730
Wholesale segment	556,958	649,145
Other	24,808	18,001
Total direct margin	<u>8,557,205</u>	<u>8,381,327</u>
Total Indirect costs	<u>(3,164,254)</u>	<u>(3,307,339)</u>
Other operating income	63,673	25,751
EBITDA	<u>5,456,624</u>	<u>5,099,739</u>
Depreciation and amortization	<u>(2,581,303)</u>	<u>(2,641,349)</u>
Total operating profit	<u>2,875,321</u>	<u>2,458,390</u>
Finance (expenses)/income – net	<u>(7,812)</u>	<u>98,048</u>
Profit before tax	<u>2,867,509</u>	<u>2,556,438</u>
Income tax expense	<u>(332,493)</u>	<u>(317,624)</u>
Net profit for the year	<u>2,535,016</u>	<u>2,238,814</u>

Notes to the financial statements

31. LEASES AND OTHER COMMITMENTS

31.1. Operating lease commitments – where the Company is the lessor

Operating lease commitments, concluded on temporary basis, where the Company is the lessor are mainly from lease of land sites for base stations.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

In thousands of denars	2025	2024
Not later than 1 year	36,661	37,165
Later than 1 year and not later than 5 years	53,506	82,885
Later than 5 years	5,108	9,823
	<u>95,275</u>	<u>129,873</u>

Revenue from leases where Company is the lessor are presented in note 22.

Property, plant and equipment subject to operating leases are as follows:

In thousands of denars	Buildings	Telecommunication equipment	Total
At 31 December 2023			
Cost	36,857	81,262	118,119
Accumulated depreciation	(26,059)	(76,051)	(102,110)
Carrying amount	<u>10,798</u>	<u>5,211</u>	<u>16,009</u>
Carrying amount at 1 January 2024			
	10,798	5,211	16,009
Additions	13,545		13,545
Disposals	(1,061)		(1,061)
Disposals depreciation	777		777
Depreciation charge	(1,591)	(470)	(2,061)
Carrying amount 31 December 2024	<u>22,468</u>	<u>4,741</u>	<u>27,209</u>
At 31 December 2024			
Cost	87,427	81,264	168,691
Accumulated depreciation	(64,959)	(76,523)	(141,482)
Carrying amount	<u>22,468</u>	<u>4,741</u>	<u>27,209</u>

Notes to the financial statements

31. LEASES AND OTHER COMMITMENTS (CONTINUED)

31.1. Operating lease commitments – where the Company is the lessor (continued)

In thousands of denars	Buildings	Telecommunication equipment	Total
At 31 December 2024			
Cost	87,427	81,264	168,691
Accumulated depreciation	(64,959)	(76,523)	(141,482)
Carrying amount	<u>22,468</u>	<u>4,741</u>	<u>27,209</u>
Carrying amount at 1 January 2025			
	22,468	4,741	27,209
Additions	1	-	1
Disposals	(2,195)	-	(2,195)
Disposals depreciation	2,003	-	2,003
Depreciation charge	(1,431)	(711)	(2,142)
Carrying amount 31 December 2025	<u>20,846</u>	<u>4,030</u>	<u>24,876</u>
At 31 December 2025			
Cost	85,233	81,264	166,497
Accumulated depreciation	(64,387)	(77,234)	(141,621)
Carrying amount	<u>20,846</u>	<u>4,030</u>	<u>24,876</u>

31.2. Capital commitments

The amount for capital expenditure (external commitments) as at 31 December 2025 was MKD 395,501 thousand (2024: MKD 546,075 thousand). The amount for capital expenditure as of 31 December 2025 and 2024 mainly relates to telecommunication assets.

32. ADDITIONAL DISCLOSURES ON FINANCIAL ASSETS

32.1. Financial assets – Carrying amounts and fair values

The table below shows the categorization of financial assets as at 31 December 2025.

Assets	Financial assets			
	Measured at amortized cost	At fair value through profit and loss (Level 1)	Carrying amount	Fair value
In thousands of denars				
Cash and cash equivalents	817,587	-	817,587	817,587
Deposits with banks	307,475	-	307,475	307,475
Trade receivables	3,608,350	-	3,608,350	3,608,350
Other financial assets	47,467	-	47,467	47,467
Contracts assets	369,590	-	369,590	369,590
Financial assets at fair value through profit and loss (equity instruments)	-	508,632	508,632	508,632

Notes to the financial statements

32. ADDITIONAL DISCLOSURES ON FINANCIAL ASSETS (CONTINUED)

32.1. Financial assets – Carrying amounts and fair values (continued)

The table below shows the categorization of financial assets as at 31 December 2024.

Assets	Financial assets			
	Measured at amortized cost	At fair value through profit and loss (Level 1)	Carrying amount	Fair value
In thousands of denars				
Cash and cash equivalents	1,344,547	-	1,344,547	1,344,547
Trade receivables	3,462,326	-	3,462,326	3,462,326
Other financial assets	9,243	-	9,243	9,243
Contracts assets	334,246	-	334,246	334,246
Financial assets at fair value through profit and loss (equity instruments)	-	515,809	515,809	515,809

Cash and cash equivalents, deposits with banks, trade receivables and other current financial assets mainly have short times to maturity. For this reason, their carrying amounts at the end of the reporting period approximate their fair values.

Financial assets at fair value through profit or loss are investment in equity instruments, measured at fair value.

Financial assets at fair value through profit or loss include investments in equity instruments in the amount of MKD 508,632 thousand (2024: MKD 515,809 thousand) calculated with reference to the Macedonian Stock Exchange quoted bid prices. Changes in fair values of other financial assets at fair value through profit or loss are recorded in finance income/expenses in the profit or loss (see note 26 and 27).

32.2. Offsetting financial assets and financial liabilities

For the financial assets and liabilities subject to enforceable netting arrangements, each agreement between the Company and the counterparty (typically roaming and interconnect partners) allows for net settlement of the relevant trade receivable and payable when both elect to settle on a net basis. In the absence of such an election, the trade receivables and payables will be settled on a gross basis, however, each party to the netting agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

The following trade receivables and trade payables (presented in notes 7 and 15) are subject to offsetting agreements, and are presented after netting in the statements of financial position as at 31 December 2025:

In thousands of denars	Trade receivables	Trade payables
Gross amounts of recognized financial instruments	4,117,441	3,094,071
Gross amounts of financial instruments set off	(509,091)	(509,091)
Net amounts of recognized financial instruments	<u>3,608,350</u>	<u>2,584,980</u>

The following trade receivables and trade payables (presented in notes 7 and 15) are subject to offsetting agreements, and are presented after netting in the statements of financial position as at 31 December 2024:

In thousands of denars	Trade receivables	Trade payables
Gross amounts of recognized financial instruments	4,087,584	3,120,738
Gross amounts of financial instruments set off	(625,258)	(625,258)
Net amounts of recognized financial instruments	<u>3,462,326</u>	<u>2,495,480</u>

Notes to the financial statements

32. ADDITIONAL DISCLOSURES ON FINANCIAL ASSETS (CONTINUED)

32.3. Other disclosures about financial instruments

There were no financial assets or liabilities, which were reclassified into another financial instrument category.

No financial assets were transferred in such a way that part or all of the financial assets did not qualify for derecognition.

33. CONTINGENCIES

The Company has contingent liabilities in respect of the legal and regulatory claims arising from the ordinary course of business and the outcome of which often cannot be reliably anticipated. There are no legal and regulatory claims that give rise to significant contingent liabilities in 2025 and 2024. At the moment, the Management does not anticipate any material liabilities arising from the contingent liabilities other than those provided for (see note 20).

34. RELATED PARTY TRANSACTIONS

All transactions with related parties arise in the normal course of business and their value is not materially different from prevailing market terms and conditions.

The Government of the Republic of North Macedonia has 34.81% ownership in the Company (see note 21). Government-related entities disclosure exemption applies (IAS 24.25), considering that the Government of the Republic of North Macedonia has significant influence over the entity. Apart from payment of taxes, fees to Regulatory authorities according to local legislation and dividends (see note 29), in 2025 and 2024, the Company did not execute transactions with the Government of Republic of North Macedonia, or any companies controlled or significantly influenced by it, that were outside normal day-to-day business operations of the Company.

Transactions with related parties mainly include provision and supply of telecommunication services, services for support and maintenance and cross charges. The amounts receivable and payable are disclosed in the appropriate notes (see notes 7, 8, 15 and 16).

The revenues and expenses from the Company's related parties are as follows:

In thousands of denars	2025		2024	
	Revenues	Expenses	Revenues	Expenses
Controlling owner Magyar Telekom Plc	335	14,331	524	13,728
Subsidiaries of the controlling owner	6,187	3,701	7,953	4,033
Ultimate parent company Deutsche Telekom AG	524,145	520,033	527,110	482,042
Subsidiaries of the ultimate parent company	5,818	56,489	8,715	57,540

Notes to the financial statements

34. RELATED PARTY TRANSACTIONS (CONTINUED)

The receivables and payables with the Company's related parties are as follows:

In thousands of denars	31.12.2025		31.12.2024	
	Receivables	Payables	Receivables	Payables
Controlling owner Magyar Telekom Plc	5,523	3,612	6,407	5,616
Subsidiaries of the controlling owner	1,013	609	3,771	1,922
Ultimate parent company Deutsche Telekom AG	92,830	236,162	120,006	310,561
Subsidiaries of the ultimate parent company	106,912	146,207	46,027	145,900

35. KEY MANAGEMENT COMPENSATION

The compensation of the key management of the Company, including taxation charges and contributions, is presented below:

In thousands of denars	2025	2024
Short-term employee benefits (including taxation)	62,679	57,992
Contributions to the state pension system on short-term employee benefits	10,476	9,868
Other state contributions on short-term employee benefits	4,755	4,444
Long-term incentive programs	64,833	79,732
Other payments	2,495	2,323
	<u>145,238</u>	<u>154,359</u>

The remuneration of the members of the Company's Board of Directors and its committees, which amounted to MKD 4,459 thousand (2024: MKD 5,726 thousand) is included in Short-term employee benefits. These are included in Personnel expenses (see note 23).

In 2015 a new performance-based long-term-incentive (LTI) program was launched as part of the global DT Group-wide compensation tool for the companies. The program is a cash settled share-based program. Executives receive virtual shares depending on their individual performance. The number of virtual shares at the end of the term (4-year term) is determined by the target achievement of KPIs. The value and quantity of shares fluctuate during the term of the plan on the basis of two indicators: development of the DT share price and target achievement in connection with 4 company targets: (adjusted earnings per share (EPS); adjusted return on capital employed (ROCE); customer satisfaction and employee satisfaction). The target achievement is measured at the end of each annual cycle and the number of virtual shares determined on this basis is fixed as the result of the annual cycle (non-forfeitable). At the end of the plan's term (4-year term), the results from the four annual cycles are totaled and paid out in cash. Each year a new cycle of long-term-incentive (LTI) program is launched.

In 2022 a new long-term incentive program called Game Changer Incentive Program was introduced by the DT Group. The program is a four-year plan, that will be implemented in the period from 2022 to 2025, with acceptance of the DT Terms and Conditions of Participation in the EU Game Changer Incentive Program.

Eligibility for participation in the program is defined on the Chief Executive Officer and Chief Officer Level. A wildcard for participation in the program may be offered to an executive manager under defined criteria. Payments under the Program are subject to the performance parameters, KPIs and target achievement levels. The amount of the incentive each year depends on the subsequent over-performance (if threshold conditions are met) and the average target achievement of specific KPI's, defined for the Company.

The expenses incurred by the Company related to the programs described above are shown within Long-term incentive programs (see note 20 and 23).

Notes to the financial statements

36. EARNINGS PER SHARE

a) Basic and diluted earnings per share

	2025	2024
Earnings for the purposes of earnings per share being net profit attributable to owners of the Company (in thousands of denars)	<u>2,535,016</u>	<u>2,238,814</u>
Basic and diluted earnings per share (in denars, calculated as net result divided by number of shares)	<u>29.39</u>	<u>25.96</u>

b) Weighted average number of common stocks outstanding as the denominator

	2025	2024
Weighted average number of common stocks outstanding as the denominator for calculation basic and diluted earnings per share	<u>86,254,903</u>	<u>86,254,903</u>

The Company has issued ordinary shares and one golden share, which has equal rights related to the dividend payment and therefore the basic and diluted earnings per share are the same. The details regarding the other rights of the golden share are stated in Note 21.

37. EVENTS AFTER THE FINANCIAL STATEMENT DATE

There are no events after 31 December 2025 that would have an impact on the 2025 profit or loss, statement of financial position or cash flows.

Notes to the financial statements

38. REGULATORY ENVIRONMENT

38.1. Regulatory Environment - Mobile Line

On 5 September 2008 the Agency for Electronic Communications (hereinafter referred to as “the Agency”), ex officio, issued a notification to the Company for the public electronic communication networks and/or services which have been allocated thereto under the Concession Contracts. The license for radiofrequencies used by the Company in the GSM 900 band was also issued in a form regulated in the ECL with a validity period until 5 September 2018, and in 2018 it was renewed for additional 10 years until 2028. Due to the changes in the bylaws, the 900 MHz band is opened for UMTS technology and at the request of the Company, the radiofrequency license is changed so that these frequencies are now technology neutral.

The Company has usage rights for the following radiofrequency bands for public mobile communications systems:

- 2 x 12.5 MHz in the 900 MHz band, validity period: 2028 (20 years)
- 2 x 10 MHz in the 1800 MHz band, validity period: 2029 (20 years)
- 2 x 15 MHz 2100 MHz band, validity period: 2028 (20 years)
- 2 x 15 MHz 2100 MHz band, validity until 2028
- 2 x 10 MHz in the 800 MHz band, validity period: 2033 (20 years)
- 2 x 15 MHz in the 1800 MHz band, validity period: 2033 (20 years)
- 2 x 10 MHz in the 700 MHz band, validity period: (15 years)
- 100 MHz in the 3.7-3.8 MHz band, validity period: (15 years)

The competitor A1 Macedonia has usage rights for the following radiofrequency bands for public mobile communications systems:

- 2 x 12.5 MHz in the 900 MHz band extended until 2028
- 2 x 10 MHz in the 2100 MHz band
- 2x 10 MHz in the 2100 MHz band
- 2 x 20 MHz in the 800 MHz band
- 2 x 15 MHz in the 1800 MHz band
- 2 x 15 MHz in the 1800 MHz band
- 2x10 MHz in the 1800 MHz band
- 2 x 10 MHz in the 700 MHz band, validity period: (15 years)
- 100 MHz in the 3.7-3.8 MHz band, validity period: (15 years)

On a 5G tender in 2022, licences were awarded to the existing mobile operators on 700 MHz and 3.x MHz based on their requests. The licence duration is 15 years with a possibility for extension in accordance with the law.

The duration of two licences positioned in the lower parts of the bands previously owned by A1 Macedonia was until 2017, 10 MHz from 900 MHz band and 10 MHz from 1800 MHz band, and they expired on 23 March 2017. Based on a request from A1 for licence extension, the Agency adopted Resolution No. 0804-974 dated 2 November 2016 not to extend these two licences. Their resolution was based on efficient and effective spectrum usage and the necessity for realising radiofrequencies for the entrance of a third mobile operator on the market to foster competition. At the moment, these radiofrequencies are not allocated, and they are not available for sale to the existing operators. 2 x 15 MHz in the 2100 MHz band is extended until 2028.

Notes to the financial statements

38. REGULATORY ENVIRONMENT (CONTINUED)

38.1. Regulatory Environment - Mobile Line (continued)

On 19 December 2014, amendments of the ECL were enacted. Many significant changes were made to the ECL, with the Balkan Roaming Regulation being one of the most important changes made in line with the EU Roaming III regulation. The glide path for roaming prices reduction finished on 1 July 2017. In 2019, the regulatory bodies of the Western Balkan countries (WB6) (North Macedonia, Montenegro, Serbia, Bosnia, Albania and Kosovo) introduced a roaming regulation, starting with RLAH+ (Roam Like At Home) surcharge model from 1 July 2019 until 30 June 2021. From 1 July 2021, the RLAH- model regulation has been in place. With this regulation, the international termination rates between the WB6 countries were also decreased.

New Law on electronic communications was enacted on 4 July 2025 with date for implementation 1 June 2026. The bylaws provided for by this act shall be enacted within 15 months from the date of entry into force of this act.

Amendments of the new ECL concerning implementation of the provisions from the Regulation (EU) 1309/2024 of the European parliament and of the Council of 23 February 2024 concerning to reduce the cost of deploying gigabit electronic communications networks, were adopted on 31 December 2025, with date for implementation 1 June 2026. Amendments of the new ECL concerning Regulation (EU) 2022/612 of the European parliament and of the council on roaming on public mobile communications networks within the Union, are also on public debate.

Both mobile operators on the market, the Company and A1 Macedonia are designated as operators with a Significant Market Power (SMP) status on the relevant wholesale market "Access and call origination on public mobile networks". The Agency imposed the same regulatory remedies for both operators:

- mobile access obligation for all Mobile Virtual Network Operators (MVNO) hybrid types (including Reseller),
- cost based price for Full MVNO,
- retail minus (-35%) for the Reseller,
- obligation for access to the Multimedia Messaging Service (MMS) services and mobile data based on technology neutrality.

An MVNO, Lyca Mobile hosted on the A1 Macedonia network entered the Macedonian market and started retail operations in July 2016 under regulated wholesale conditions. Also, from October 2020, new MVNO (Green Mobile) started operating, hosted on A1 Macedonia's network. All three MVNO's are designated as operators with SMP status on the relevant market for mobile calls termination. As of July 2021 Mtel, a subsidiary of Telekom Srbija started its operations in Macedonia as an MVNO on A1's network with a primary focus on the TV market.

Notes to the financial statements

38. REGULATORY ENVIRONMENT (CONTINUED)

38.1. Regulatory Environment - Mobile Line (continued)

In 2024 Mtel announced the acquisition of Lyca Mobile and all its operations in Macedonia.

The cable operator Telekabel, which is already present on the market by offering fixed line services (voice, broadband and TV), as of January 2019 started operating as an MVNO hosted on the Company's mobile network under regulated wholesale conditions.

In April 2019, the Ministry of Information Society and Administration issued the National Broadband Strategy which sets the following targets:

- By the end of 2023 at least one major city should be covered with 5G signal;
- By the end of 2025 the regional highways and state highways should be covered by a continuous 5G signal;
- By the end of 2027 all urban areas will be covered by a continuous 5G signal;
- By the end of 2029, everyone will have access to 5G internet with a minimum internet speed of 100 Mbps;
- By the end of 2029, at least 50% of the total number of subscriber contracts of households across the whole country should have internet access of at least 100 Mbps;
- By the end of 2029 all households will have affordable access to a network that provides download speeds of at least 100 Mbps with the possibility of upgrading to gigabit speed;
- By the end of 2029, all public institutions (schools, universities, research centres and other educational institutions, health institutions, ministries, courts, local governments and other public authorities and bodies), should have symmetric access to the Internet of at least 1Gb/s.

Based on public debate held at the beginning of 2021, the Agency adopted changes in the Rulebook on Radiofrequency Fees:

- Decrease of the RF fees from 3.x GHz for 50% (from 4,000 EUR/MHz to 2,000 EUR/MHz)
- Decrease of the RF fees for 700 MHz for 50 % (from 11,480 EUR/MHz to 5,740 EUR/MHz)
- Decrease of the RF fees above 55 GHz (E band RF links) for 50% (from 4,000 EUR/250 MHz to 2,000 EUR/250 MHz)

Notes to the financial statements

38.2. Regulatory Environment - Fixed Line

The Company has SMP obligations in several regulated markets for fixed services.

At the beginning of 2015, the regulation for access to fibre was implemented, with Local Bitstream Access over Next-Generation Access (NGA) on level 3 and 4 and VULA (Virtual Unbundled Local Access) regulation on level 2. The introduction of new technologies (Very high-speed digital subscriber line (VDSL) Vectoring technology in 2017) announced by the Company for the retail customers led to the introduction of new wholesale access products and reshaping of the regulatory obligations.

The final document for the wholesale central access for mass-market products provided at a fixed location market analysis (Market 6) was published in April 2017. For the first time, the Agency imposed a regulation on the access to Hybrid Fibre Coaxial Access (HFC). All existing obligations for the copper and fibre network remain unchanged after the new analysis in 2022. All obligations apply to the Company and to the A1 Macedonia operator as SMPs on the broadband market.

The amendments from September 2016, with a new obligation to register the new and existing electronic networks (ATLAS), refer to the joint building and use of networks and a new obligation for the Agency to publish the received reports on the optic backbone segment measurements by all operators.

The tender for a USO (Universal service obligation) provider was published in October 2021, for period from 2022 to 2026, and one of the main criteria was the refund amount from the regulator that the tendering party is requesting.

According to the results from the tender, the Company is a universal service provider until 2026 for Fixed access and access for disabled users (voice and Internet of minimum 12Mbit/s download).

A1 Macedonia was designated for public payphones. R3 Infomedia signed a contract with the Agency for the Telephone Directory and Directory Inquiry universal services.

Following the market trends and the EU regulation, the Agency made decisions for deregulation on several markets: trunk and terminating segment of leased lines and avoiding regulation of the Ethernet leased line services; minimal set of leased lines (retail); WLR (Wholesale Line Rental) market; traditional retail fixed voice services (access and traffic). The Company has a cost-based price obligation for the regulated wholesale services, using Long Run Incremental Costs methodology (LRIC).

In the middle of 2019, the Agency implemented Economic Replicability Test (ERT) testing (margin squeeze methodology) to the NGA based broadband wholesale services supplied by the two dominant operators (the Company and A1 Macedonia). The developed ERT model will test the economic replicability of the retail bundles including broadband services with access speed higher than 30 Mb/s.