“MTEL” a.d. BANJA LUKA

Consolidated Financial Statements
For the Six-Month Period Ended
30 June 2022 and Independent Auditor’s Report

CONTENTS

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This is an English translation of Independent Auditor's Report originally issued in the Serbian language

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA

Opinion

We have audited the consolidated financial statements of "Mtel" a.d. Banja Luka and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

BDO d.o.o. Banja Luka; Broj registarskog upisa 1-11067-00 kod Okružnog privrednog suda u Banja Luci
JIB 4400878260000; Matični broj 1920600
Žiro račun: 562-099-00000250-35 kod NLB Razvojna banka a.d. Banja Luka
BDO d.o.o. Banja Luka je jednočlano privredno društvo.
Upisani i uplaćeni osnovni kapital Društva 80.000,00 KM.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA (Continued)

Key Audit Matters (Continued)

Key Audit Matter	Audit Procedures Applied
1. **Revenue recognition** (accuracy of recording revenues due to the complexity of the information systems for generating income from services rendered), Note 5 to the consolidated financial statements	
There are inherent risks associated with the accuracy of recognized revenues arising from the complexity of information systems (IT) of the Group, through which the realised traffic, billing, approved free traffic and other discounts in the revenue generation process are measured. Based on the procedures performed, we have not identified significant findings in relation to the accuracy of the revenue recorded for the six-month period ended 30 June 2022.	We assessed the Group's most important IT systems for recording the realised traffic, billing and invoicing services to customers and conducted tests of relevant controls over these systems, tested the relevant control over the transfer of data from the respective information systems to the general ledger, as well as controls over the process of payments of bills by the customers and the process of customer complaints resolution. We tested the compliance of prices and discount terms on customers' invoices with the current pricelist and discount terms on a sample basis.

Key Audit Matter	Audit Procedures Applied
2. **Accrual of income and expenses due to the assessment of contracted and realised roaming discounts in the international traffic,** Notes 23 and 32 to the consolidated financial statements	
Accrued income of the Group from the roaming discounts contracted with other operators in the international traffic, as well as accrued expenses for roaming discounts granted to other operators by the Group were selected as key audit matters due to the fact that they include a significant scope of management estimates relating to meeting the requirements from individual contracts with specific operators. Based on the procedures performed, we have not identified significant findings in relation to the accrued discounts based on the roaming traffic realised in the six-month period ended 30 June 2022.	We reviewed contracts with major operators per income generated/expenses incurred from the roaming discount, tested sales/purchase invoices to/from operators on a sample basis and checked their accuracy, as well as their compliance with the terms defined in the agreements on roaming discounts. We have verified the billing of the amount of roaming with clearings and settlements received from clearing houses for the six-month period ended 30 June 2022. In addition, we have checked the consistency in the application of the group's accounting policies when recording the roaming discount.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA (Continued)

Key Audit Matters (Continued)

Key Audit Matter	Audit procedures applied
3. **Capitalization of costs of investments in intangible assets and property, plant and equipment, as well as their valuation after initial recognition,** Notes 12 and 14 to the consolidated financial statements	
This key audit matter was selected due to the fact that it involves significant estimates by the Group's management in the capitalization of investment costs in software and property, plant and equipment, as well as in determining the depreciation period and subsequent measurement of the recoverable amount of these assets due to relatively rapid technological changes inherent to the telecommunications industry. Based on the procedures performed, we have not identified significant findings in relation to the adequacy of capitalization of costs of investments in intangible assets and property, plant and equipment, as well as their subsequent valuation after initial recognition in the six-month period ended 30 June 2022.	We tested on a sample basis the Group's expenses recorded in current period expenses, as well as the increase recorded by the Group during the year on intangible assets and property, plant and equipment, from the point of view of meeting the criteria for capitalization of expenses, i.e. their recognition as expenses in current period. We analysed the assessments of the Group's management regarding the existence of indicators of impairment of intangible assets, property, plant and equipment, such as changes in use, reduction of market value, detection of physical damage, etc. We have considered the applied depreciation rates in relation to the useful lives of assets, plans to replace assets, previous experience in spending, as well as the realized income and expenses from the disposal of individual assets. We tested the internal controls implemented by the Group's management in this process. Based on the sample, we checked the arithmetic accuracy of the depreciation calculation and compared the rates with the previous accounting period. In addition, we tested construction in progress according to the age structure of the investment, physical condition, additionally capitalized costs during the period, the moment of putting into use and the inception of depreciation.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF “MTEL” a.d. BANJA LUKA (Continued)

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF "MTEL" a.d. BANJA LUKA (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

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

Banja Luka, 15 August 2022

Društvo za konsalting i reviziju BDO d.o.o. Banja Luka

Tibor Florjan
Certified Auditor and
Person Authorised to represent
BDO d.o.o. Banja Luka

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Six-Month Period Ended 30 June 2022
(In BAM)

	Notes	Period ended 30 June 2022	Period ended 30 June 2021
Sales of goods and services	5	243,219,506	239,061,034
Other operating income	6	13,687,829	3,966,527
Cost of material, goods and combined services	7	(27,983,351)	(29,886,223)
Staff costs	8	(43,536,020)	(44,252,871)
Depreciation and amortization charges	12,13,14	(72,029,271)	(64,717,731)
Cost of production services	9	(51,808,251)	(55,708,834)
Other operating expenses	10	(13,497,020)	(13,872,500)
Finance income – interest income	11	324,843	449,732
Finance income – other finance income	11	467,394	126,613
Impairment of financial assets	21	(1,153,113)	(2,476,895)
Finance expenses	11	(4,014,292)	(4,043,575)
Share in the profit of associates	15	5,470,846	2,360,478
Profit before taxes		**49,149,100**	**31,005,755**
Income tax expense	35 (a)	(4,557,910)	(2,933,115)
Net profit		**44,591,190**	**28,072,640**
Total comprehensive income for the period		**44,591,190**	**28,072,640**
Net profit for the period attributable to:			
Owners of the Group		44,591,190	28,072,640
Non-controlling interests		-	-
		44,591,190	28,072,640
Total comprehensive income for the period attributable to:			
Owners of the Group		44,591,190	28,072,640
Non-controlling interests		**-**	**-**
		44,591,190	**28,072,640**
Earnings per share:			
Basic and diluted earnings per share	37	0.0907	0.0571

The accompanying consolidated financial statements of the Group were approved for issuance by the Management Board of “Mtel” a.d., Banja Luka on 28 July 2022.

Signed on behalf of the Company and the Group by:

Jelena Trivan, PhD General Manager	L.S.	Dejan Jokic, Chief Financial Officer

Notes on the following pages form an
integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022
(In BAM)

	Notes	30 June 2022	31 December 2021
ASSETS			
Long - term assets			
Intangible assets and goodwill	12	276,354,088	306,533,776
Right-of-use assets	13	46,669,823	49,334,177
Property and equipment	14	687,276,194	668,422,321
Investments in associates	15	211,092,720	201,518,849
Other investments	16	12,878	12,878
Long-term receivables and loans	17	331,542	342,751
Deferred tax assets	35 (c)	848,312	1,044,982
		1,222,585,557	1,227,209,734
Current assets			
Inventories	18	18,381,181	17,881,044
Assets held for sale		126,614	83,328
Trade receivables	19	87,535,436	87,164,116
Receivables for overpaid income tax	35 (e)	969,955	-
Other receivables	20	824,441	733,183
Deposits and loan receivables	22	186,377	1,320,551
Prepayments	23	18,493,647	18,115,012
Cash and cash equivalents	24	17,367,419	19,667,558
		143,885,070	144,964,792
Total assets		**1,366,470,627**	**1,372,174,526**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	491,383,755	491,383,755
Mandatory reserves	25	49,275,002	49,265,051
Revaluation reserves – actuarial losses		(20,354)	(20,354)
Other reserves – reserves arising on the commitment to invest	25	97,791,500	97,791,500
Retained earnings		39,726,026	40,248,384
		678,155,929	678,668,336
Long-term liabilities and provisions			
Borrowings and other long-term liabilities	26	160,058,464	198,109,846
Lease liabilities	28	35,215,769	38,297,304
Liabilities for TV content distribution rights	27	45,654,137	57,035,780
Deferred income	29	20,612	24,734
Employee benefits	30	6,027,590	6,358,937
Provisions	31	2,290,376	2,663,453
Deferred tax liabilities	35 (d)	12,598,881	11,885,182
		261,865,829	314,375,236
Current liabilities			
Borrowings and other current liabilities	26	103,123,558	104,923,552
Lease liabilities	28	13,434,115	12,788,809
Liabilities for TV content distribution rights	27	28,838,747	25,959,306
Trade payables	32	126,335,308	111,438,079
Accruals	33	37,809,771	36,872,238
Employee benefits	30	800,642	793,596
Provisions	31	2,968,775	2,968,775
Deferred income	29	12,367	12,367
Dividend payables	37	93,200,367	62,796,866
Income taxes payables	35 (e)	-	439,987
Other liabilities	34	19,925,219	20,137,379
		426,448,869	379,130,954
Total equity and liabilities		**1,366,470,627**	**1,372,174,526**

Notes on the following pages form an
integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six-Month Period Ended 30 June 2022
(In BAM)

	Share capital	Mandatory reserves	Unrealised (losses)/gains from financial assets at fair value measured through other comprehensive income	Other reserves - reserves arising on the commitment to invest	Revaluation reserves – actuarial (losses)/gains	Retained earnings	Total
Balance, 1 January 2021	**491,383,755**	**49,209,597**	**(1,641)**	**97,791,500**		**44,517,676**	**682,900,887**
Net profit for the period from 1 January to 30 June 2021	-	-	-	-	-	28,072,640	28,072,640
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**28,072,640**	**28,072,640**
Net profit/losses of the period recognized directly in capital	-	-	-	-	-	11,632	11,632
Profit distribution:							
Dividend paid to the shareholders	-	-	-	-	-	(48,212,756)	(48,212,756)
Mandatory reserves	-	55,454	-	-	-	(55,454)	-
Balance, 30 June 2021	**491,383,755**	**49,265,051**	**(1,641)**	**97,791,500**	**-**	**24,333,738**	**662,772,403**
Net profit for the period from 1 July to 31 December 2021	-	-	-	-	-	45,109,702	45,109,702
Reclassification recorded in the income statement	**-**	**-**	1641	**-**	**-**	-	1,641
Total other comprehensive income for the year	-	-	-	-	(20,354)	-	(20,354)
Total comprehensive income for the period	**-**	**-**	**1,641**	**-**	**(20,354)**	**45,109,702**	**45,090,989**
Profit distribution:							
Interim dividend paid to the shareholders	**-**	**-**	**-**	**-**	**-**	(29,195,056)	(29,195,056)
Mandatory reserves	**-**	-	**-**	**-**	**-**	-	**-**
Balance, 31 December 2021	**491,383,755**	**49,265,051**	**-**	**97,791,500**	**(20,354)**	**40,248,384**	**678,668,336**
Net profit for the period from 1 January to 30 June 2022	**-**	**-**	-	-	-	44,591,190	44,591,190
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**44,591,190**	**44,591,190**
Net profit/losses of the period recognized directly in capital	-	-	-	-	-	3,265	3,265
Profit distribution (Note *37*):							
Dividend paid to the shareholders	-	-	-	-	-	(45,106,862)	(45,106,862)
Mandatory reserves	-	9,951	-	-	-	(9,951)	-
Balance, 30 June 2022	**491,383,755**	**49,275,002**	**-**	**97,791,500**	**(20,354)**	**39,726,026**	**678,155,929**

Notes on the following pages form an
integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six-Month Period Ended 30 June 2022
(In BAM)

	Period ended 30 June 2022	Period ended 30 June 2021
Cash flows from operating activities		
Cash receipts from customers and prepayments	238,841,610	234,634,389
Other cash receipts from regular operations	1,978,764	2,180,728
Cash paid to suppliers – purchases of material, fuel, energy and other expenses	(73,717,659)	(80,736,063)
Cash paid to and on behalf of employees	(42,867,313)	(36,416,007)
Interest paid	(3,344,061)	(3,817,909)
Income taxes paid	(4,923,482)	(3,324,761)
Other taxes and duties paid	(9,062,298)	(9,746,133)
Net cash generated by operating activities	**106,905,561**	**102,774,244**
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(30,110,390)	(39,248,802)
Proceeds from sale of property, equipment and intangible assets	244,888	131,692
Interest received	322,093	442,201
Inflows from long-term financial investments	20,827	19,091
Inflows from short-term financial investments	1,130,358	1,780,511
Outflows from investments into subsidiaries and associates	(4,107,243)	(13,911,815)
Net cash used in investing activities	**(32,499,467)**	**(50,787,122)**
Cash flows from financing activities		
Inflows from long-term borrowings	-	16,000,000
Inflows from short-term borrowings	352,866	-
Outflows from long-term financial liabilities	(55,423,144)	(46,031,827)
Outflows from short-term borrowings	(367,580)	-
Dividend and interim dividend payments to the shareholders	(14,272,782)	(13,517,983)
Outflows from lease liabilities	(6,995,593)	(6,740,496)
Net cash used in financing activities	**(76,706,233)**	**(50,290,306)**
Net (decrease) / increase in cash and cash equivalents	**(2,300,139)**	**1,696,816**
Cash and cash equivalents at the beginning of the period	19,667,558	9,268,164
Cash and cash equivalents at the end of the period	**17,367,419**	**10,964,980**

Notes on the following pages form an
integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Parent Company Mtel a.d. (hereinafter: the "Company") is domiciled in Banja Luka, in Republic of Srpska, Bosnia and Herzegovina, at the following street address: no. 2, Vuka Karadzica Street. The full registered name of the Company is: Telekomunikacije Republike Srpske a.d. Banja Luka, while in its operations the Company uses two abbreviated names – Mtel a d. Banja Luka and Telekom Srpske a.d. Banja Luka.

The majority shareholder of the Company is the Telecommunications Company "Telekom Srbija" a.d. Belgrade, Serbia, holding 65.01% of the Company's shares.

As at 30 June 2022, the Company had equity interest in subsidiaries according to the following structure (hereinafter collectively referred to as "the Group"):

SUBSIDIARIES	Interest	
Logosoft d.o.o. Sarajevo, Bosnia and Herzegovina	100%	Company
Blicnet d.o.o. Banja Luka, Bosnia and Herzegovina	100%	Company
Telrad Net d.o.o. Bijeljina, Bosnia and Herzegovina	100%	Company
Elta-Kabel d.o.o. Doboj, Bosnia and Herzegovina	100%	Company
Financ d.o.o. Banja Luka, Bosnia and Herzegovina	100%	Company

As at 30 June 2022, the Company had equity interest in associates according to the following structure:

ASSOCIATES	Interest	
MTEL d.o.o. Podgorica, Montenegro	49% 51%	Company Telekom Srbija a.d. Belgrade
Mtel Global d.o.o. Belgrade, Serbia	41% 59%	Company Telekom Srbija a.d. Belgrade

As at 30 June 2022, the Group had 2,585 employees (as at 31 December 2021: 2,587 employees).

The Group's principal business activity is the provision of telecommunication services, the most significant of which is domestic and international telecommunication traffic. In addition, the Group offers a wide range of other telecommunication services, including other fixed-line and mobile network services, *IP* television, line leases, private conduits, services throughout the entire network area, additional services in the area of mobile network, as well as the Internet and multimedia services. The Group also provides services in the area of leasing, construction, management and security of the telecommunication infrastructure.

As at 30 June 2022, the Group provided telecommunication services to the total number of 1,787,848 users (31 December 2021: 1,852,545 users).

The governing bodies of the Company are: Shareholder Assembly, Management Board, Executive Board, General Manager, Audit Committee and the Internal Auditor.

The General Manager of the Company as at 30 June 2022 is: Jelena Trivan, PhD.

The members of the Management Board as at the date of compiling these consolidated financial statements were as follows:

Mr Vladimir Lucic
Ms Danijela Maletic
Mr Dejan Carevic
Mr Slavko Mitrovic
Mr Drasko Markovic
Mr Branko Malovic
Mr Nenad Tomovic

1. CORPORATE INFORMATION (Continued)

The members of the Executive Board as at the date of compiling these consolidated financial statements were as follows:

Ms Jelena Trivan, PhD
Mr Dejan Jokic
Mr Milan Aleksijevic Mr
Milosav Parezanovic
Mr Nikola Tacic
Mr Nikola Rudovic

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Statement of Compliance

The accompanying financial statements represent consolidated financial statements of the Group and have been prepared in accordance with the International Financial Reporting Standards (IFRS).

2.2. Basis of Measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, financial assets at fair value measured through other comprehensive income, which are measured at fair value, as further explained in accounting policies for financial instruments. Historical cost is generally based on the fair value of consideration paid in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Upon estimating the fair value of assets or liabilities, the Group takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date. Assets acquired in the acquisition of a subsidiary that are individually identifiable as well as actual and contingent liabilities in the business combination are initially measured at fair value as at the acquisition date.

The Group's consolidated financial statements have been prepared under the going concern principle, which implies that the Group will continue its operations in the foreseeable future. The Group is putting an effort to maintain and improve its market position by providing convergent and multimedia services, ICT services, devices, equipment, network modernisation and as well as market expansion.

The Group constantly generates net profit, closely monitors its liquidity, maturity of liabilities and the collection of receivables. The Group generates cash inflows from its operating activities, but it also has external sources of financing at its disposal. The Group's management believes that the funds from external sources of financing together with expected inflows from business activities will be sufficient for the Group to be able to meet its contractual obligations in 2022.

As disclosed in Notes 1 and 15 to these consolidated financial statements, Mtel a.d. Banja Luka has a stake in the associated company "Mtel" d.o.o. Podgorica (Montenegro) in which it holds 49% equity interest and a stake in the company MTEL Global d.o.o. Belgrade, (Republic of Serbia) in which it holds 41% equity interest, in which it has significant influence,and the power to participate in decision-making of associates on financial and operational decisions and policies, but there is no control or joint control over those policies and decisions.

2.3. Functional and Presentation Currency

The figures in the accompanying financial statements have been stated in Convertible Marks (BAM), BAM which is the official functional and reporting currency in Republic of Srpska and Bosnia and Herzegovina.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.4. Impact and Implementation of the New and Revised IAS/IFRS

The following new standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") have been effective over the current financial period:

	Effective on or after
New standards and amendments to the existing standards effective in the current financial period	
IAS 41 "Agriculture" and examples related to IFRS 16 "Leases"	1 January 2022
IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Subsidiary – first-time adoption	1 January 2022
IFRS 3 "Business Combinations" – updating a Reference to the Conceptual Framework	1 January 2022
IFRS 9 "Financial Instruments" – Test for Derecognition of Financial Liabilities	1 January 2022
IAS 16 "Property, Plant and Equipment" – Supplements	1 January 2022
IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Supplements	1 January 2022

At the date of approval of these financial statements, the following new standards, amendments to the existing standards and new interpretations of existing standards were published, but not yet effective:

	Effective on or after
New standards and amendments to the existing standards in issue but not yet effective	
IAS 1 "Presentation of Financial Statements" – Supplements to Classification of Liabilities	1 January 2023
IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies - Supplements	1 January 2023
IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Supplement to the definition of accounting estimates	1 January 2023
IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 "Insurance Contracts" - Supplements	1 January 2023

The management of the Group has decided not to adopt these standards, amendments and interpretations prior to their effective date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Consolidation

a) Investments in Subsidiaries

The accompanying consolidated financial statements for the six-month period ended 30 June 2022 include the financial statements of the Company ("Mtel" a.d. Banja Luka), the financial statements of subsidiaries Blicnet d.o.o. Banja Luka, Telrad Net d.o.o. Bijeljina, Elta-Kabel d.o.o. Doboj, Financ d.o.o. Banja Luka and the consolidated financial statements of the subsidiary Logosoft d.o.o. Sarajevo. Under the provisions of IFRS 10 "Consolidated Financial Statements" control over consolidated subsidiaries is achieved if the Company has:

1) power over the investee,
2) exposure, or rights, to variable returns from its involvement with the investee, and и
3) the ability to use its power over the investee to affect the amount of returns.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Basis of Consolidation (Continued)

a) Investments in Subsidiaries (Continued)

The Company reassesses whether it truly exercises control over its subsidiaries in instances of certain facts and circumstances indicating that any of the above listed three elements of control has changed. When the Company has less than a simple majority of the voting power, control is achieved if these voting rights are sufficient to practically allow the Company to unilaterally direct the business activities of the subsidiary.

Consolidation of the subsidiary commences from the date when the Company acquires control and ceases when control is lost. Income and expenses of the subsidiary are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of control acquisition and up to the effective date of disposal. All balances of assets, liabilities, equity, income, expenses and cash flows arising from intra-Group transaction are eliminated in full on consolidation.

Logosoft d.o.o. Sarajevo

The Company is the sole (100%) owner of the equity of Logosoft d.o.o. Sarajevo.

The subsidiary Logosoft d.o.o. Sarajevo was founded in 1995 as a company involved in informatics engineering. The subsidiary's first business activities included ICT system integration; two years after foundation, it became the first Internet service provider in Bosnia and Herzegovina. Nowadays the subsidiary provides services of internet access, telephony and television, computer equipment sales and service in system integration and IT training and consulting services.

Blicnet d.o.o. Banja Luka

The Company is the sole (100%) owner of the equity of *Blicnet* d.o.o. Banja Luka.

The subsidiary Blicnet d.o.o. Banja Luka was founded in 1992. Blicnet d.o.o. Banja Luka is one of the leading cable operators in Bosnia and Herzegovina that provides cable TV, Internet, fixed and mobile telephony services, as well as system integration services.

Telrad Net d.o.o. Bijeljina

The Company is the sole (100%) owner of the equity of Telrad Net d.o.o. Bijeljina.

The subsidiary Telrad Net d.o.o. Bijeljina was incorporated in 2011. The company provides services related to public fixed telephony, VoIP and IP telephony, cable TV, Internet and mobile telephony.

Elta-Kabel d.o.o. Doboj

The Company is the sole (100%) owner of the equity of Elta-Kabel d.o.o. Doboj.

The subsidiary Elta-Kabel d.o.o. Doboj was founded in 2001. *Elta-Kabel d.o.o*. Doboj is one of the leading cable operators in Bosnia and Herzegovina that provides cable TV, Internet and fixed-line telephony services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Basis of Consolidation (Continued)

a) Investments in Subsidiaries (Continued)

Financ d.o.o. Banja Luka

The Company is the sole (100%) owner of the equity of Financ d.o.o. Banja Luka.

Subsidiary Financ d.o.o. Banja Luka was founded in 2002 and provides intermediary services related to the sale of e-top-ups and numbers, scratch-off vouchers, USB modems and the conclusion of customer contracts with potential users of Company's services. Apart from the aforesaid, the subsidiary provides processing services.

b) Business Combinations

Business Combinations are accounted for using the acquisition method.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except that:

- Deferred tax assets and liabilities or assets and liabilities related to employee benefit arrangements are recognized in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-Based Payment" at the acquisition date; and
- Assets (or a disposal group) that are classified as held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discounted Operations" are measured in accordance with that Standard.

c) Goodwill

Goodwill is recognized as the amount by which the cost of a business combination exceeds the acquirer's equity interest in the net fair value of identifiable assets, liabilities and contingent liabilities. If, after the reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of non-controlling interests in the acquiree, if any, and the fair value of the acquirer`s previously held interest in the acquiree (if any), the excess is recognized immediately in the profit and loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses (if any). For the purposes of impairment testing, *goodwill* is allocated to each of the Group`s cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combinations.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income/. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit of loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Basis of Consolidation (Continued)

d) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies and decisions of the investee but is not control or joint control over those policies and decisions.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. Group's share of the profit or loss of the associate in which the investment is made is recognized in profit or loss of the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

As at 30 June 2022, the Company had 49% of equity interest in the associate MTEL d.o.o. Podgorica (Montenegro) while the remaining 51% of the equity interest is in the ownership of the Group's parent company – Telekom Srbija a.d. Belgrade, also 41% of equity interest in *MTEL Global* d.o.o. Belgrade (Republic of Serbia) while the remaining 59% is in the ownership of Group's parent company – Telekom Srbija a.d. Belgrade.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Revenues

Revenue Recognition

The Group recognizes revenues when the performance obligations to transfer the promised goods or services to the customers are satisfied. The performance obligations are satisfied when the customer acquires control over the goods or services transferred.

The transaction price is determined based on the defined prices for individual items, if any, or on the estimated price the Group expects to realize under the prevailing market conditions.

The Group makes estimates affecting the determination of the amount and timing for recognition of revenues from contracts with customers, which involves determining the time of performance obligation fulfilment and the transaction price allocated to the performance obligations. For performance obligations fulfilled over time, the Group uses the output method based on the passage of time and the revenue is recognized on a straight-line monthly basis, as the transaction price, allocated to those services, is recognized at the moment of the initial sales transaction and realized during the period of service rendering (up to two years from the date of ordering services along with goods).

For performance obligations fulfilled at a point in time, the Group performs one-off revenue recognition at a specific point in time, i.e., the time of fulfilment of the performance obligation, when the goods are delivered and services are provided.

As per contracts falling within the scope of IFRS 15, revenues are recognized based on the sales invoiced. The Group is entitled to request from the customer the amount directly corresponding to the value of the service rendered in the agreed period in which the Group invoiced a certain amount for the particular service rendered.

Sales income consists mainly from charges to customers for calls from the fixed-line and mobile networks, monthly subscription fees charged for providing access services, sales of combined services, interconnections, Internet, integrated services and other similar services.

3.2.1. Income from Fixed-Line Network

Revenue from the telephony traffic (fixed-line network) is based on traffic processed.

The telecommunication subscription to fixed-line network is invoiced on a monthly basis, one month in arrears.

Income from the connection of new subscribers to the fixed-line network represents income earned on invoiced fees for the connection of new subscribers. The revenue for new customer connections is recorded in the period in which the user is connected.

3.2.2. Income from Interconnection with Local Operators

Income from interconnection with local operators relates to the access to the service network, establishing a physical and logical linking of telecommunication networks to allow the service users connected to different networks direct and indirect communication. Income and expenses from interconnection are stated in gross amounts.

3.2.3. Income from Mobile Network

Mobile network income is associated with the income earned from mobile telephony users who use prepaid and postpaid services i.e. traffic, data transfer, income from subscriptions, text messages, as well as other additional services.

Revenue from the telephony traffic is recognized based on traffic processed. Uninvoiced income earned on mobile network services provided in the period from the invoice date up to the end of the period of calculation is accrued, while unrealized revenue until the end of the accounting period is deferred.

Income from prepaid usage services is recognized upon sale of the prepaid top-ups and deferred for the amount of unrealized income at the end of the period. These revenues are deferred over the period of the service provision. Inactive top-ups or top-ups with expired usage are recognized as revenue upon the expiry of the final usage date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Income (Continued)

3.2.4. Income from the Sale of Combined Services

Income earned on the sale of hardware within service packages is presented within item Income from the sale of combined services and is credited to income when the sale is realized, i.e. when the device/hardware is delivered to the package user and related costs recognized as expenses in profit or loss statement.

If these services are sold under multiple element arrangements, the total transaction price is allocated to the individual performance obligations. As a result, income from the delivered hardware is recognized commensurately to the transaction price as an item within income from the sales of combined services.

The transaction price is determined based on the defined prices for individual items, if any, or on the estimated price the Group expects to realize under the prevailing market conditions.

3.2.5. Income and Expenses from International Settlements and Roaming

Income and expenses from the services of the public fixed-line and mobile telecommunication networks rendered in the international telephony traffic are recognized based on the traffic realized and calculated as per the contractually agreed tariffs of the foreign operators via whose network the traffic is realized.

The Group has entered into various agreements on international traffic in fixed-line and mobile network. The respective income/(expenses) and receivables/(payables) arising from these agreements are presented in the accompanying financial statements and are associated with the income and expenses generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculations with the Group. A portion of the income earned or expenses incurred is recorded on the basis of an estimate made in accordance with the internal settlements for realized traffic.

The Group recognizes income (receivables) only when it can be measured with reasonable certainty. Where evidence exists that an expense (payable) may be incurred, a full provision is recognized, in instances where such an estimate is possible. When it is not possible to estimate the extent of a liability, an appropriate disclosure is made.

Income and expenses arising from roaming with foreign operators are recorded at the amounts set by the clearing house. Income and expenses arising on roaming are recognized in the gross amount based on the traffic processed throughout the period.

3.2.6. Internet Income

Internet income comprises income from services of access to the Internet provided over the fixed-linenetwork using ADSL, VDSL or GPON technologies and income from direct Internet access realized by providing a link for users to access the Internet at certain speeds, with a specific range of public IP addresses, DNS hosting domain names with or without registering Internet domain names and technical support.

3.2.7. Integrated Services

Income from the integrated services refers to the income from integrated services of fixed-line network, mobile network, Internet access, IPTV services and services of cable distribution of TV signal and satellite TV services, which are organized in appropriate sets of services, i.e., packages, which may yet need not include all of the aforesaid services.

3.2.8. Other Income

Other income includes revenues from other telecommunication services such as rental of telephone capacities - lines, call listings, voice mail services, etc., and revenues from activation of internal effects related to the cost of salaries of employees working on network construction, as well as capital investment projects. These revenues are recorded in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Leases

The Group as a Lessee

At the beginning of the lease term, the Lessee estimates whether it is a lease agreement or if it contains lease elements. An agreement is a lease agreement and/or contains lease elements if it cedes the right of control of using certain assets during the given period for a fee.

According to IFRS 16, the Group recognises right-of-use assets and the present value of the lease agreement liability taking into consideration the contracted payments, lease term and the discount rate. Initial measurement of the right-of-use assets is performed as per the cost, including the amount of the initially measured lease liability, all initial direct costs, and estimated costs of dismantling, location reinstating or bringing the assets into the original state, unless such costs are non-material.

When estimating the lease term period, the following is taken into consideration: a period without the cancellation option, an optional period for a lease renewal and the likelihood that the Group will or will not use this option.

The lease liability is measured at the present value of all lease payments which were not made on the recognition date. These payments are discounted at an interest rate contained in the lease and/or at the incremental borrowing rate.

A short-term lease is a lease whose lease period on the lease commencement date is 12 months at most and which does not include the purchase option of the said assets. All lease related payments are recognised as an expense on a straight-line basis during the lease term *(Note 9)*.

The Group as a Lessor

The Lessor classifies each lease as either an operating or a finance lease. A lease is classified as a finance lease if it essentially transfers all risks and benefits related to the ownership over the said assets, whereas an operating lease does not transfer all risks and benefits related to the ownership over the said assets.

The Group recognises operating lease payments as income on a straight-line basis during the lease term. Initial direct costs incurred in connection with obtaining an operating lease are added a carrying value of the said assets and are recognised as an expense during the lease term on the same basis as the lease income.

3.4. Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated to BAM at the foreign exchange rate prevailing at the date of the Statement of Financial Position.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at historical cost, are translated into BAM at foreign exchange rates prevailing at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at fair value, are translated into BAM at foreign exchange rates effective as at the fair value assessment date.

Transactions in foreign currencies are translated into BAM by applying the exchange rate in effect on the date of each transaction, and foreign exchange gains or losses arising upon the translation of transactions and assets and liabilities components denominated in foreign currencies are included in the statement of profit or loss within finance income or finance expenses (Note *11*).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Corporate Income Taxes

Income taxes comprise current income tax expenses and deferred income taxes. Both current and deferred income taxes are recognized in the statement of profit and loss unless arising from business combinations or items recognized directly within equity or in other comprehensive income.

Current income tax relates to the amount payable in accordance with the Income Tax Law. Current income tax is payable at the rate of 10% applied to the tax base reported in the annual corporate income tax return, being the profit before taxation as reduced by any effects of reconciliation of income and expenses.

Deferred income tax is provided using the financial statement liability method, for the temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

The currently enacted tax rates at the statement of financial position date or the subsequently enacted rates are used to determine the deferred income tax amount, based on the tax rates that are expected to be applied to temporary differences when they reverse.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and for the tax effects of tax losses and tax credits available for carry forwards, to the extent that it is probable that taxable profit will be available against which the tax loss and credit carry forwards can be reduced.

The prescribed model for calculation of depreciation/amortization costs within the tax statement entails grouping of fixed assets into four classes with defined respective depreciation / amortization rates, with prescribed individual and group calculation of depreciation/amortization expenses.

The prescribed depreciation / amortization rates are presented below:

	Tax return rate (%)
Individual calculation of depreciation/amortization charge – straight-line method	
Property and plant	3%
Intangible assets other than software	10%
Group calculation of depreciation/amortization charge – degression method	
Computers, information systems, software and servers	40%
Equipment and other assets	20%

A taxable temporary difference arising between the carrying value of an asset and its tax-purpose amount is recognized as a deferred tax liability when the tax depreciation/amortization is accelerated, and as a deferred tax asset when the tax depreciation / amortization is slower than the accounting depreciation / amortization.

3.6. Intangible Assets

Intangible assets include goodwill, customer relations, intermediary data base, trademark, telecommunication licenses, software and other licenses and capitalized contract costs.

Telecommunication licenses, acquired computer software and other licenses are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Cost of an item of intangible assets comprises its purchase price billed by suppliers, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for its operating capability. Cost is reduced by all received discounts and/or rebates. Telecommunication licenses are amortized on a straight-line basis over their useful lives as delineated under IAS 38 “Intangible Assets”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Intangible Assets (Continued)

Customer relations which represent contractual arrangements with the users, a database of intermediaries related to contracts concluded with various intermediaries and the trademark are recognized at appraised value after business combination of the acquisition of a subsidiary, less accumulated amortization and aggregate impairment losses, if any.

The costs of obtaining a contract are related to assets arising from performance costs or contract award, which are capitalised and recognized in line with IFRS 15 during the average customer contract validity period.

3.7. Property and Equipment

Items of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost is comprised of the purchase price billed by suppliers, including import duties and non-refundable taxes and any costs directly attributable to bringing the asset to working condition for its intended use. Cost is reduced by all received discounts and/or rebates. Cost of the constructed property and equipment represents cost thereof as at the date of construction or development completion.

Property and equipment are such assets whose expected useful life is longer than one year. Gains or losses on the retirement or disposal or sale of property and equipment are credited or charged, as appropriate, directly to the statement of profit and loss within other operating income or expenses.

Adaptations, renewals and repairs that extend the useful life of an asset are capitalized. Repairs and maintenance are expensed as incurred and are presented as operating expenses.

3.8. Depreciation and Amortization

Depreciation/amortization rate is determined based on the estimated useful life of intangible assets, property and equipment. The depreciation/amortization rates applicable to the assets are reviewed at least annually, at the end of each financial year, and if there are significant changes in the expected dynamics in the consumption of future economic benefits embodied in an asset, the deprecation/amortization rate is changed to reflect the altered dynamics. Such a change is recorded as a change in the accounting estimates in accordance with IAS/IFRS. Changes of depreciation/amortization rates for asset groups are submitted by the Management of the Group to the Management Board for approval.

The basis for calculation of the depreciation/amortization charge is the cost of intangible assets, property and equipment, less any estimated residual value. Depreciation and amortization are calculated on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Depreciation and Amortization (Continued)

The prescribed depreciation and amortization rates applied to certain groups of property, equipment, and intangible assets for the six-month period ended 30 June 2022 are as follows:

	Depreciation/amortization rate (%)
Licences for the use of radio frequency spectrum	6.67%
Licenses and application software	20%
Buildings	1% - 12.50%
Antenna masts	1% - 3.33%
Distribution network and channelling	1% - 4%
Switching systems and service platforms	9.09% - 33.33%
Transmission network	1% - 25%
Wireless access network	6.67% - 20%
Equipment within the access network and terminal equipment	1% - 25%
Computer equipment	8% - 25%
Office equipment and other equipment	6.67% - 20%

3.9. Non-Current Assets Held for Sale

Non-current assets held for sale are classified as assets held for sale if the carrying value thereof can be recovered primarily from a sales transaction, rather than through further use. This condition is deemed fulfilled only if the sale is highly probable and if the asset (or the disposal group) is available for immediate sale in its present condition. Management must be committed to a plan to sell such assets, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets or disposal groups classified as held for sale are carried at the lower of their previous carrying amount and fair value less cost to sell.

3.10. Impairment of Non-Financial Assets

At each statement of financial position date, the Group’s management reviews the carrying amounts of the Group’s non-financial assets (other than inventory and deferred tax assets) in order to determine whether there are indications of an impairment loss. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. In cases where it is impossible to assess the recoverable amount of an individual asset, the Group assesses the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable value of an asset (or its related cash generating unit) is the higher of its fair value less costs to sell and value in use. The estimate of the value in use comprises the assessment of future cash inflows and outflows discounted to their present value by applying the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimate of the recoverable amount of assets (or cash generating unit) is below their carrying value, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized as an expense of the current period.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that loss has decreased or no longer exists. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Impairment of Non-Financial Assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

As at 30 June 2022, in the management's opinion, there were no indications that the value of the Group's intangible assets, property and equipment had suffered impairment.

3.11. Financial Instruments

The classification of financial instruments is determined based on their content estimates at the time of initial recognition, entailing:

1) financial assets,
2) financial liabilities, or
3) equity instruments.

Financial Assets

Financial assets are recognized at the moment when the Group has become a party to the contractual provisions of a particular financial instrument. Financial assets are initially recognized at fair value. Transaction costs are included in the initial measurement of all financial assets except for financial assets at fair value through profit and loss. Exceptionally, the initial recognition of trade receivables that do not have a significant financial component is made at their transaction price.

Following the initial recognition, financial assets are measured at:

1) amortized cost,

2) fair value through other comprehensive income (FVTOCI), and,

3) fair value through profit or loss (FVTPL).

Financial assets are measured at amortized cost if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and if 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, unless they are initially irrevocably recognized at fair value through profit or loss (if this results in significant decrease/elimination of the accounting mismatch).

Financial assets are measured at amortized cost, using the effective interest method.

The effective interest rate is calculated based on the estimated future cash flows, not including the expected credit losses. Once calculated upon initial recognition, the effective interest rate is used upon subsequent calculation of interest income (applied to the gross carrying amount or amortized cost, depending on the impairment of the asset). Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Financial assets are impaired via an impairment allowance account.

Upon calculation of the impairment allowance of its financial assets, the Group applies the expected credit loss model by considering the probability of default of the counterparty during the expected life (contractual term) of the financial asset. The Group assesses receivables for impairment grouped per different customer characteristics and historical loss trends.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments (Continued)

Financial Assets (Continued)

Financial assets are measured at fair value through other comprehensive income (FVTOCI) if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale, and if 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, unless they are initially irrevocably recognized at fair value through profit or loss (if this results in significant decrease/elimination of the accounting mismatch).

Upon initial recognition, an entity may irrevocably decide to present within its other comprehensive income subsequent changes in the fair value of an investment in an equity instrument, which is not an investment held for trading or an unforeseen amount recognized within business combinations, to which IFRS 3 is applied.

Such decision is made for each individual instrument (or share). The amounts recognized within the other comprehensive income cannot subsequently be reclassified to the profit or loss statement. However, the entity may reclassify the cumulative gains or losses within equity. Dividend on such investments is recognized with the profit or loss statement in accordance with IFRS 9 unless it is clear that the dividend represents partial recovery of the investment costs.

Financial assets cease to be recognized when settled, cancelled, expired, written-off or transferred. Transfers are treated as derecognition of assets if all the risks and rewards associated with the assets have been transferred. Otherwise, the Group continues to recognize financial assets.

If the risks and rewards are neither transferred nor retained, the assets are not derecognized unless the control over those assets has been transferred.

Subsequently realized or collected financial investments, advances paid and receivables are recognized as income in the current accounting period.

Financial assets are measured at fair value through profit or loss (FVTPL) only if not measured at amortized cost or at fair value through other comprehensive income (FVTOCI).

Financial Liabilities

Financial liabilities comprise non-current liabilities (long-term borrowings), current trade payables and other liabilities. Financial liabilities are recognized at the moment when the Group has become a party to the contractual provisions of a particular financial instrument. The financial liabilities are initially measured at their fair value.

Transaction costs are included in the initial measurement of all financial liabilities other than financial liabilities at fair value through profit or loss (FVTPL).

Financial liabilities are subsequently stated at amortized cost using the effective interest rate except for those initially recognized at fair value through profit or loss, unforeseen fees recognised by the acquirer in a business combination or financial liabilities held for trading.

Interest payable on the financial liabilities is calculated using the effective interest method and it relates to and is presented within other current liabilities. Financial liabilities cease to be recognized when the Group fulfils the obligation, or when the contractual repayment obligation either has been cancelled or has expired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value is the estimated selling price in the normal course of business, after allowing for the costs of realization. Cost includes the invoiced amount, transport and other attributable expenses. Small tools are fully written off when issued into use. The cost of inventories is determined using the weighted-average method.

Materials for combined services mostly relate to the hardware devices purchased for further sales to customers within special service packages.

Impairment allowances charged to other operating expenses are made where appropriate in order to reduce the carrying value of such inventories to the management's best estimate of their net realizable value. For inventories found to be damaged, or of a substandard quality, appropriate impairment allowances are made, or they are written off in full.

3.13. Provisions

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

Provisions are comprised of provisions for litigations filed against the Group, determined by discounting the expected future cash flows that reflects current market assessment and the risks specific to the liability.

3.14. Employee Benefits

a) Employee Taxes and Contributions for Social Security

In accordance with local regulations and its adopted accounting policies, the Group is obliged to pay contributions to various national social security funds. These obligations include contribution payable by employees and the employer in the amounts calculated by applying the specific statutory rates. The Group has a legal obligation to withhold contribution from gross salaries of employees, and on their behalf to transfer the withheld funds to appropriate government funds. Contributions paid by the employees and the employer are expensed in the period during which services are rendered by the employees.

b) Liabilities for Retirement Benefits and Jubilee Awards

The Group has an obligation to pay to its employee's retirement benefits upon retirement in the amount of three previous monthly net salaries earned by the vesting employee. In addition, the Group is obligated to pay jubilee awards in the amount between a half and one and a half times the average monthly salary paid by the Group.

IAS 19 "Employee Benefits" requires the calculation and accrual of present value of accumulated rights to retirement benefits and jubilee awards.

c) Liabilities for Employee Bonuses (Variable Portion of Salary)

The relevant Decision enacted by the Company's General Manager defines the base for and manner of calculation of the employee bonuses as variable salary portion. Bonuses are paid according to the realized employee performance, which is monitored on a quarterly or annual basis and recorded within staff costs, as well as the provision made in this respect when estimated that a vesting employee will become entitled to the bonus payment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15. Segment Reporting

The Group applies IFRS 8 “Operating Segments”, which requires the identification of operating segments based on internal reports about components of the Group that are regularly reviewed by managers responsible for making key decisions for the purpose of allocating adequate resources to these segments, as well as analysing their results. Segment information is analysed based on the type of services provided by the operating components of the Group (*Note 40*).

4. SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the consolidated financial statements requires the management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, the disclosure of contingent receivables and liabilities as at the date of preparation of the consolidated financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on historical experience and other information available as at the date of preparation of the consolidated financial statements. However, actual results may vary from these estimates.

Basic assumptions relating to the future events and other significant sources of uncertainties in rendering an estimate as at the consolidated statement of financial position date, which bears the risk that may lead to significant restatement of the carrying value of assets and liabilities in the ensuing financial year, were as follows:

Estimated Useful Life of Property, Equipment and Intangible Assets

The estimate of useful life of property, equipment and intangible assets is founded on the historical experience with similar assets, as well as foreseen technical advancement and changes in economic and industrial factors. Depreciation/amortization rates applicable to the assets are reviewed at least annually, at the end of each financial year, and if there are significant changes in the expected dynamics in the consumption of future economic benefits embodied in an asset, the deprecation/amortization rate is changed to reflect the altered dynamics. Such a change is recorded as a change in the accounting estimates in accordance with IAS/IFRS. Management changes depreciation/amortization rates for asset groups. Changes are submitted by the Management to the Board of Directors for approval.

Due to the significance of non-current assets in the Group’s total assets, any change in the above-mentioned assumptions may lead to material effects on the Group’s financial position, as well as on its operating results performance. For example, if the Group were to shorten/prolong the average useful life of assets by 10%, this would have resulted in the six-month period ended as at 30 June 2022 in an additional (lower) cost of depreciation and amortization by BAM 7,202,927 (comparative figure in 2021: BAM 6,471,773).

Impairment of Trade Receivables

Upon calculation of impairment allowance, the Group uses the expected credit loss model by considering the probability of the counterparty default over the expected contractually defined life cycle of the financial asset. The Group assesses receivables for impairment grouped based on certain customer characteristics and historical loss trends (Notes 19, 20, and 21).

Provisions

Provisions in general are highly judgmental. The Group assesses the probability of adverse events as a result of a past events and if the probability is evaluated to higher than 50%, the Group fully provides for the total amount of the liability. The Group is rather prudent in these assessments but, due to the high level of uncertainty, in certain cases the estimates may not prove to be in line with the actual outcomes (*Note 31).*

4. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Income and Expenses from International Traffic

Income (expenses) and receivables (payables) that have originated under agreements executed with international operators are presented in the accompanying consolidated financial statements and are associated with the income and expenses generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculation and settlement. A portion of the income earned or expenses incurred is recorded on the basis of an estimate made in accordance with the internal settlements for realized traffic (Notes 23 and 33). Management believes that the internal calculations/accounts of international traffic are adequate and that they reflect the actually realized international traffic in the corresponding period.

Fair Value

It is the policy of the Group to disclose the fair values of those assets and liabilities for which published market information is readily available, and for which their fair value is materially different from the carrying value. However, in the Republic of Srpska and Bosnia and Herzegovina, there is not enough market experience, as well as stability and liquidity in buying and selling receivables and other financial assets and liabilities, since official market information is not available at all time. Hence, the fair value cannot be reliably determined in the absence of an active market. If a quoted price in an active market is unavailable as evidence of the instrument’s fair value, the fair value for the same asset or liability is assessed by applying valuation techniques that use available market inputs.

5. SALES OF GOODS AND SERVICES

	In BAM Period ended 30 June	
	2022	**2021**
Sales in domestic market:		
Fixed-line network	28,732,472	29,136,431
Mobile line network	96,382,355	90,235,178
Integrated services	59,236,115	55,251,896
Internet services	16,899,906	16,419,561
Combined services	16,481,861	19,271,361
Goods	2,335,218	949,992
ICT and other services	3,783,922	6,748,845
Total sales in domestic market	**223,851,849**	**218,013,264**
International market sales:		
Income from international settlements	16,421,750	17,488,781
Income from salesales of licences, ICT and other services	2,945,907	3,558,989
Total international market sales	**19,367,657**	**21,047,770**
Total sales of goods and services	**243,219,506**	**239,061,034**

Income from the international market sale is mainly related to the sales made in the Republic of Serbia.

6. OTHER OPERATING INCOME

	In BAM Period ended 30 June 2022	2021
Rental income	1,558,365	1,638,812
Reversal of deferred income (grants) (*Note 29)*	4,122	6,183
Other income	12,125,342	2,321,532
	13,687,829	**3,966,527**

Other income mostly relates to income from the activation of internal effects based on the costs of employees working on the construction of the network, as well as on capital investment projects in the total amount of BAM 9,897,564.

7. COST OF MATERIAL, GOODS AND COMBINED SERVICES

	In BAM Period ended 30 June 2022	2021
Materials for combined services	19,156,960	23,220,883
Cost of commercial goods sold	2,811,147	1,186,700
Electricity	3,768,956	3,371,955
Fuel and lubricants	953,481	716,616
Other costs of material	1,292,807	1,390,069
	27,983,351	**29,886,223**

Cost of material for combined services refers to cost of the hardware sold within special service packages.

8. STAFF COSTS

	In BAM Period ended 30 June 2022	2021
Gross salaries	37,268,199	36,900,997
Remunerations to Management Board and Audit Committee	194,665	188,448
Retirement benefits	57,884	999,449
Other personal expenses	6,015,272	6,163,977
	43,536,020	**44,252,871**

9. COST OF PRODUCTION SERVICES

	In BAM Period ended 30 June	
	2022	**2021**
International settlement costs	13,768,727	12,891,193
Maintenance costs	10,823,371	9,869,480
Rental costs – lease of land and business premises	447,896	540,056
Marketing and advertising costs	8,103,185	8,049,701
Fees for media content transmission	7,295,142	9,406,460
Other production services	11,369,930	14,951,944
	51,808,251	**55,708,834**

10. OTHER OPERATING EXPENSES

	In BAM Period ended 30 June	
	2022	**2021**
Indirect taxes and contributions which do not depend on the business result	2,203,776	2,290,451
Communications Regulatory Agency fees	5,495,860	5,682,719
Losses on disposal of property, equipment and intangible assets	193,122	36,797
Shortages	545	-
Other expenses	5,603,717	5,862,533
	13,497,020	**13,872,500**

Other expenses mostly pertain to the other non-production services, administrative fees and considerations payable to youth and student employment agencies.

11. FINANCE INCOME AND EXPENSES

	In BAM Period ended 30 June	
	2022	**2021**
Interest income		
- interest on deposits	19,080	3,871
- other interest income	305,763	445,861
	324,843	449,732
Other finance income	-	1,132
Foreign exchange gains	467,394	125,481
	467,394	126,613
Total finance income	**792,237**	**576,345**
Interest expenses		
- arising from loan agreements	(2,661,936)	(3,105,734)
- arising from liabilities for right-of-use assets	(589,944)	(650,232)
- other interest expenses	(42,336)	(16,816)
	(3,294,216)	(3,772,782)
Foreign exchange losses	(720,076)	(270,793)
Total finance expenses	**(4,014,292)**	**(4,043,575)**
Finance expenses, net	**(3,222,055)**	**(3,467,230)**

12. INTANGIBLE ASSETS AND GOODWILL

In BAM
30 June 2022 and 31 December 2021

	Goodwill	Customer Relations	Intermediary database	Trademark	Licenses for the use of radio frequency spectrum	Other Licenses	Other Intangible Assets	Contract Costs Capitalized	Intangible assets under construction	Total Intangible Assets
Cost										
Balance, 1 January 2021	76,281,025	85,117,279	7,662,942	4,091,596	157,188,477	11,969,108	162,993,068	6,258,721	21,562,615	533,124,831
Additions	-	-	-	-	-	101,578	63,545,234	8,600,119	7,178,582	79,425,513
Transfer (from) / to	-	-	-	-	-	759,500	5,265,931	110,142	(6,135,573)	-
Disposals and write-offs	-	-	-	-	-	(17,666)	(16,828,575)	(1,860,199)	-	(18,706,440)
Transfer from / (to) property and equipment	-	-	-	-	-	-	124,934	211,631	(25,357)	311,208
Other	(943,688)	-	-	-	-	-	-	-	-	(943,688)
Balance,31 December 2021	**75,337,337**	**85,117,279**	**7,662,942**	**4,091,596**	**157,188,477**	**12,812,520**	**215,100,592**	**13,320,414**	**22,580,267**	**593,211,424**
Balance, 1 January 2022	75,337,337	85,117,279	7,662,942	4,091,596	157,188,477	12,812,520	215,100,592	13,320,414	22,580,267	593,211,424
Additions	-	-	-	-	-	164,776	11,469,524	4,749,243	205,821	16,589,364
Transfer (from) / to	-	-	-	-	-	3,395	3,017,862	38,641	(3,059,898)	-
Disposals and write-offs	-	-	-	-	-	-	(2,589,154)	(1,007,931)	-	(3,597,085)
Transfer from / (to) property and equipment	-	-	-	-	-	-	-	112,720	(19,318,615)	(19,205,895)
Other	-	-	-	-	-	20,118	55,000	-	-	75,118
Balance, 30 June 2022	**75,337,337**	**85,117,279**	**7,662,942**	**4,091,596**	**157,188,477**	**13,000,809**	**227,053,824**	**17,213,087**	**407,575**	**587,072,926**
Accumulated Amortization										
Balance, 1 January 2021	-	6,929,101	1,666,045	545,546	132,274,839	10,355,808	99,991,550	2,461,774	-	254,224,663
Amortization charge	-	3,926,575	1,999,262	409,160	1,870,543	927,530	37,438,396	4,647,274	-	51,218,740
Disposals and write-offs	-	-	-	-	-	(17,666)	(16,682,147)	(1,860,199)	-	(18,560,012)
Other	-	-	-	-	-	(72,796)	-	(132,947)	-	(205,743)
Balance, 31 December 2021	**-**	**10,855,676**	**3,665,307**	**954,706**	**134,145,382**	**11,192,876**	**120,747,799**	**5,115,902**	**-**	**286,677,648**
Balance, 1 January 2022	-	10,855,676	3,665,307	954,706	134,145,382	11,192,876	120,747,799	5,115,902	-	286,677,648
Amortisation charge	-	1,963,287	999,631	204,580	935,271	331,691	19,520,957	3,687,868	-	27,643,285
Disposals and write-offs	-	-	-	-	-	-	(2,575,092)	(1,006,614)	-	(3,581,706)
Other	-	-	-	-	-	(20,389)	-	-	-	(20,389)
Balance, 30 June 2022	**-**	**12,818,963**	**4,664,938**	**1,159,286**	**135,080,653**	**11,504,178**	**137,693,664**	**7,797,156**	**-**	**310,718,838**
Net book value										
30 June 2022	**75,337,337**	**72,298,316**	**2,998,004**	**2,932,310**	**22,107,824**	**1,496,631**	**89,360,160**	**9,415,931**	**407,575**	**276,354,088**
31 December 2021	**75,337,337**	**74,261,603**	**3,997,635**	**3,136,890**	**23,043,095**	**1,619,644**	**94,352,793**	**8,204,512**	**22,580,267**	**306,533,776**

12. INTANGIBLE ASSETS AND GOODWILL (Continued)

Goodwill represents surplus assets upon acquisition through a business combination in excess of Mtel a.d. Banja Luka's share in the net fair value of the identifiable assets, recognized liabilities and contingent liabilities of the acquired subsidiaries.

Customer relations, which represent contractual arrangements with the users, an intermediary data base which refers to arrangements with various intermediaries and trademark are recognised at the estimated cost after the business combinations of acquiring the subsidiaries.

Licences for the use of radio frequency spectrum constitute radio spectrum licences for the provision of services via mobile access systems. These licences are issued by the Communication Regulatory Agency of Bosnia and Herzegovina (RAK) and they enable the provision of GSM/UMTS/LTE services in the territory of Bosnia and Herzegovina.

Other intangible assets mainly relate to software with a net value of BAM 15,348,118 and the right to distribute TV content with a net value of BAM 72,553,283.

The cost of obtaining a contract is related to assets arising from the costs of performing or obtaining a contract that are capitalised and recognised in accordance with IFRS 15 over the average duration of the contract with the customer.

During the reporting period, the Group, activated own work capitalised within intangible assets, in the total amount of BAM 1,288,455.

Intangible assets under construction are mainly related to the software under construction.

13. RIGHT-OF-USE ASSETS

In BAM

	Land and buildings	Vehicles and equipment	Total
Balance, 1 January 2021	54,881,400	246,420	55,127,820
Additions	9,147,644	141,840	9,289,484
Depreciation/amortisation	(13,884,250)	(130,125)	(14,014,375)
Modification of the lease period	(1,071,066)	2,314	(1,068,752)
Balance, 31 December 2021	**49,073,728**	**260,449**	**49,334,177**
Balance, 1 January 2022	49,073,728	260,449	49,334,177
Additions	4,482,815	476,733	4,959,548
Depreciation/amortisation	(7,113,036)	(103,029)	(7,216,065)
Modification of the lease period	(407,837)	-	(407,837)
Transfer from/to	(102,042)	102,042	-
Balance, 30 June 2022	**45,933,628**	**736,195**	**46,669,823**

As part of its regular business activities, the Group leases various lease items, the most important of which are: commercial premises for retail outlets, land and facilities accommodating telecommunication equipment. In assessing lease liabilities, the Group also considered the potential exposure to variable lease payments, extension options, termination leases, residual value guarantees and leases that have not yet commenced, but the lessee has committed to them. Most leases are contracted with a fixed lease fee. The Group has no significant lease agreements that have specific limitations or contractual obligations.

14. PROPERTY AND EQUIPMENT

In BAM
30 June 2022 and 31 December 2021

	Land	Property and Infrastructure	Leasehold Improvements	Equipment	Fixed assets under construction	Total Fixed Assets
Cost						
Balance , 1 January 2021	1,756,940	898,669,798	3,890,183	717,601,479	89,136,540	1,711,054,940
Additions	-	5,475,614	46,152	9,585,524	86,324,139	101,431,429
Transfer (from) / to	21,116	30,468,412	305,855	58,524,911	(89,320,294)	-
Transfer (from) / to intangible assets	-	-	-	70,490	(381,698)	(311,208)
Disposals and write-offs	-	(662,373)	(220,885)	(64,121,198)	(563,565)	(65,568,021)
Dismantlement	-	-	-	(972,168)	29,689	(942,479)
Reclassification to assets held for sale	-	-	-	(16,934)	(105,608)	(122,542)
Balance, 31 December 2021	**1,778,056**	**933,951,451**	**4,021,305**	**720,672,104**	**85,119,203**	**1,745,542,119**
Balance,1 January 2022	1,778,056	933,951,451	4,021,305	720,672,104	85,119,203	1,745,542,119
Additions	880	4,621,598	11,441	5,073,133	27,614,382	37,321,434
Transfer from/to	-	7,230,313	85,615	17,446,491	(24,762,419)	-
Transfer from intangible assets	-	-	-	-	19,205,895	19,205,895
Disposals and write-offs	-	(3,387)	-	(14,325,126)	(20,359)	(14,348,872)
Dismantlement	-	-	-	(159,949)	(86,060)	(246,009)
Reclassification to assets held for sale	-	-	-	(372,439)	(87,653)	(460,092)
Balance, 30 June 2022	**1,778,936**	**945,799,975**	**4,118,361**	**728,334,214**	**106,982,989**	**1,787,014,475**
Accumulated Amortization						
Balance, 1 January 2021	-	550,809,695	2,855,418	520,390,816	-	1,074,055,929
Amortization expenses	-	13,147,799	409,445	54,230,788	-	67,788,032
Disposals and write-offs	-	(574,964)	(216,638)	(62,973,148)	-	(63,764,750)
Dismantlement	-	-	-	(942,479)	-	(942,479)
Reclassification to assets held for sale	-	-	-	(16,934)	-	(16,934)
Balance, 31 December 2021	**-**	**563,382,530**	**3,048,225**	**510,689,043**	**-**	**1,077,119,798**
Balance, 1 January 2022	-	563,382,530	3,048,225	510,689,043	-	1,077,119,798
Amortization expenses	-	6,548,189	220,781	30,400,951	-	37,169,921
Disposals and write-offs	-	(7,424)	-	(14,124,303)	-	(14,131,727)
Dismantlement	-	-	-	(246,009)	-	(246,009)
Reclassification to assets held for sale	-	-	-	(173,702)	-	(173,702)
Balance, 30 June 2022	**-**	**569,923,295**	**3,269,006**	**526,545,980**	**-**	**1,099,738,281**
Net book value						
30 June 2022	**1,778,936**	**375,876,680**	**849,355**	**201,788,234**	**106,982,989**	**687,276,194**
31 December 2021	**1,778,056**	**370,568,921**	**973,080**	**209,983,061**	**85,119,203**	**668,422,321**

Fixed assets under construction as at 30 June 2022 are mainly related to the purchased telecommunication equipment not yet placed into use. As at 30 June 2022, there were no encumbrances on and restrictions to the Group's titles and ownership rights over property and equipment. Contractually agreed but not yet realized liabilities of the Group for capital expenditures totalled BAM 55,693,897 (31 December 2021: BAM: 42,709,592).

During the reporting period, the Group activated own-work capitalised within property and equipment in the total amount of BAM 8,609,119.

15. INVESTMENTS IN ASSOCIATES

	Interest	In BAM 30 June 2022	 31 December 2021
a) Investment in MTEL d.o.o. Podgorica (Montenegro):	49%		
- Cost of the investment in MTEL d.o.o. Podgorica		143,565,421	143,565,421
- Adjustment of the cost of investment based on recognition of portion of profit using the equity method		47,338,404	39,282,825
Investment in MTEL d.o.o. Podgorica, net		190,903,825	182,848,246
a) Investment in MTEL Global d.o.o. Belgrade (Serbia):	41%		
- Cost of the investment in MTEL Global d.o.o. Belgrade		40,045,288	35,938,045
- Adjustment of the cost of investment based on recognition of portion of loss using the equity method		(19,856,393)	(17,267,442)
Investment in MTEL Global d.o.o. Belgrade, net		20,188,895	18,670,603
Total investment in associates		**211,092,720**	**201,518,849**

Investments in associates amounting to BAM 183,610,709 relate to the cost of investments in the companies MTEL d.o.o. Podgorica and MTEL Global d.o.o. Belgrade.

As at 30 June 2022, the Group held a 49% of equity interest in MTEL d.o.o. Podgorica, Montenegro, and a 41% of equity interest in MTEL Global d.o.o. Belgrade, Republic of Serbia, which are involved in the provision of telecommunication services.

The total investment in MTEL d.o.o. Podgorica, after the initially agreed amount for the purchase of 49% of shares made on 1 February 2010, subsequent recapitalizations, as well as, other costs directly related to the above-mentioned transaction, and the entry of non-monetary and monetary contribution made, amounted to BAM 143,565,421.

The total investment into MTEL Global d.o.o. Belgrade, Serbia, after a non-monetary contribution in the form of a right to a 100% equity interest in Mtel Austria GmbH, based on which the Company became the owner of a 41% interest, and a recapitalization, totals BAM 40,045,288. During this reporting period, the Company also recapitalized in the amount of BAM 4,107,243 which did not violate the previously determined ownership structure.

Investments in the associates MTEL d.o.o. Podgorica and MTEL Global d.o.o. Belgrade are accounted for using the equity method. The Group's share in the profit of MTEL d.o.o. Podgorica for the six-month period ended 30 June 2022 amounted to BAM 8,055,579 whereas the Group's share in the loss of MTEL Global d.o.o. Belgrade amounted to BAM 2,584,733.

15. INVESTMENTS IN ASSOCIATES (Continued)

Movements on investments in the associates MTEL d.o.o. Podgorica and MTEL Global d.o.o. Belgrade were as follows:

	In BAM Period ended 30 June 2022	Year ended 31 December 2021
Balance, 1 January	201,518,849	181,012,163
Recapitalisation of MTEL d.o.o. Podgorica	-	11,500,280
Investment in MTEL Global d.o.o. Belgrade	4,107,243	6,238,766
The share in profit of the associates that is accounted for using the equity method (Note *3.1.e*)	5,466,628	2,767,640
Balance, end of the period/year	**211,092,720**	**201,518,849**

16. OTHER INVESTMENTS

	Interest	In BAM 30 June 2022	31 December 2021
Financial assets measured at amortized cost:			
- Long-term bonds issued by the Republic of Srpska		12,478	12,478
- Centre for International Law and International Business Cooperation Ltd. Banja Luka	22.97%	400	400
		12,878	**12,878**

Financial assets at amortized cost relate to the bonds of the Republic of Srpska issued by the RS Ministry of Finance in order to pay for the debt of budget beneficiaries towards to the Company. The bonds were issued with maturities of up to 15 years, starting from 31 December 2007, with the grace period of 5 years and an interest rate of 1.5% annually. The bonds are measured at amortized cost applying the effective interest rate.

17. LONG-TERM RECEIVABLES AND LOANS

	In BAM 30 June 2022	31 December 2021
Long-term loans to employees	66,771	67,727
Less: Current portion of long-term loans due within one year (Note 22)	(66,771)	(67,727)
	-	-
Other long-term loans	214,488	234,508
Less: Current portion of long-term loans due within one year (Note 22)	(34,318)	(37,178)
	180,170	197,330
- Other long-term deposits	176,025	176,025
- Other long-term investments	6,527	8,724
	182,552	184,749
Total long-term receivables and loans	**362,722**	**382,079**
Less: Accumulated impairment allowance:		
- impairment allowance of long-term loans to employees	-	(3,531)
- impairment allowance of other long-term loans	(13,897)	(16,168)
- impairment allowance of long-term investments	(17,283)	(19,629)
	(31,180)	**(39,328)**
	331,542	**342,751**

18. INVENTORIES

	In BAM 30 June 2022	31 December 2021
Material	4,603,993	4,240,491
Goods	251,490	216,602
Material for combined services	12,252,718	12,123,550
Advances paid for inventories	1,272,980	1,300,401
	18,381,181	**17,881,044**

19. TRADE RECEIVABLES

	In BAM 30 June 2022	31 December 2021
Trade receivables:		
- related parties (Note *36 (a))*	18,307,477	19,181,764
- domestic	136,360,236	134,330,873
- foreign	1,687,512	1,443,515
Gross trade receivables	**156,355,225**	**154,956,152**
Less: Impairment allowance of trade receivables for expected credit losses	(68,819,789)	(67,792,036)
	87,535,436	**87,164,116**

The Group's total gross trade receivables as at 30 June 2022 amounted to BAM 156,355,225. The Group used a simplified approach in recognition of the lifetime expected losses for trade receivables and other receivables not containing a significant financing component, by grouping those per different customer characteristics and historical loss trends.

The total amount of the impairment allowance of trade receivables as at 30 June 2022 amounts to BAM 68,819,789 and represents 44.02% of the total gross value of trade receivables. The movements in the allowance for impairment of receivables are shown in Note 21 to the consolidated financial statements.

20. OTHER RECEIVABLES

	In BAM 30 June 2022	31 December 2021
Other receivables	1,411,040	1,303,477
Less: Impairment allowance of other receivables	(586,599)	(570,294)
	824,441	**733,183**

21. IMPAIRMENT OF FINANCIAL ASSETS

	In BAM Period 1 January – 30 June 2022 and FY 2021		
	Trade receivables (Note 19)	**Other receivables (Note 20)**	**Total**
Balance, 1 January 2021	64,101,612	498,509	64,600,121
Adjustments during the year debited to comprehensive income	5,997,904	69,221	6,067,125
Adjustments during the year credited to comprehensive income	(439)	-	(439)
Write-off of receivables	(2,279,796)	-	(2,279,796)
Other	(27,245)	2,564	(24,681)
Balance, 31 December 2021	**67,792,036**	**570,294**	**68,362,330**
Balance, 1 January 2022	67,792,036	570,294	68,362,330
Adjustments during the period debited to comprehensive income	1,119,485	33,628	1,153,113
Write-off of receivables	(109,055)	-	(109,055)
Other	17,323	(17,323)	-
Balance, 30 June 2022	**68,819,789**	**586,599**	**69,406,388**

22. DEPOSITS AND LOAN RECEIVABLES

	In BAM 30 June 2022	31 December 2021
Short-term deposits	85,288	1,215,646
Loans to employees due within one year (*Note 17*)	66,771	67,727
Other loans due within one year (Note *17*)	34,318	37,178
	186,377	**1,320,551**

23. PREPAYMENTS

	In BAM	
	30 June 2022	**31 December 2021**
Accrued receivables	5,222,067	4,627,945
Contractual assets	7,918,836	9,253,795
Prepaid expenses	2,373,502	858,680
Deferred input and output advance invoices for the purpose of VAT accrual	2,979,242	3,374,592
	18,493,647	**18,115,012**

Accrued receivables mostly, in the amount of BAM 4,005,734 relate to the estimates of the international traffic and roaming, which was performed in accordance with the internal calculation of the traffic realized and calculation received from the clearing house.

Contractual assets represent the Group's entitlement to considerations in exchange for goods or services the Group transferred to the customer, when the entitlement is dependent on factors other than the passage of time (e.g., delivery of other elements of the contract). The Group recognizes contractual assets mainly from the contract under which the devices are delivered at a specific time as part of the package with services rendered over time.

24. CASH AND CASH EQUIVALENTS

	In BAM	
	30 June 2022	**31 December 2021**
Gyro accounts	15,709,359	16,903,573
Foreign currency accounts	1,519,168	2,639,642
Cash on hand	37,323	22,774
Cash equivalents	101,569	101,569
	17,367,419	**19,667,558**

25. EQUITY

Share Capital

The Company's share capital structure (as per the Book of Shareholders maintained by the Republic of Srpska Central Registry of Securities, Banja Luka) as at 30 June 2022 and 31 December 2021 was as follows:

	30 June 2022		31 December 2021	
	Number of shares	Interest in %	Number of shares	Interest in %
Telekom Srbija a.d. Belgrade, Serbia	319,428,193	65.01	319,428,193	65.01
RS Pension and Disability Insurance Fund a.d., Banja Luka	42,965,269	8.74	43,340,269	8.82
RS Restitution Fund a.d., Banja Luka	24,715,439	5.03	24,715,439	5.03
DUIF Kristal invest a.d. – OAIF Future Fund	10,361,604	2.11	10,361,604	2.11
Other shareholders	93,913,250	19.11	93,538,250	19.03
	491,383,755	**100**	**491,383,755**	**100**

The Company's share capital in the amount of BAM 491,383,755 is fully paid in and divided into 491,383,755 ordinary shares, each with the nominal value of BAM 1. All shares are of the same class with equal rights comprising common stock (ordinary shares) and are registered in the name of the holder. Each share gives the right to one vote.

The Company's shares are listed on Banja Luka Stock Exchange in Republic of Srpska (active but insufficiently developed financial market). The market value of one share as at 30 June 2022 amounts to BAM 1.52 (31 December 2021: BAM 1.42). Earnings and dividend per share are disclosed in *Note 37* to the consolidated financial statements.

Mandatory Reserves

Mandatory reserves as at 30 June 2022, amounting to BAM 49,275,002 represent allocations from profit made pursuant to Article 231 of the Company Law in the amount of no less than 5% of the net profit for the year less prior year losses until such reserves, until together with equity reserves, attain a level equivalent to 10% of the Company's total share capital or greater portion of the share capital defined by Company Statute.

Mandatory reserves are used for loss absorption and if they exceed 10% of the share capital or greater portion of the share capital defined by Company Statute thereof, they may be utilized to increase the registered capital.

Other Reserves - Reserves Arising on the Investment Commitment

Other reserves as at 30 June 2022, in the amount of BAM 97,791,500 entirely pertained to the reserves formed during 2008 based on the execution of the commitment to invest undertaken by the majority owner (Telekom Srbija a.d. Belgrade), as the purchaser of the majority block of the Company's shares.

26. BORROWINGS AND OTHER LONG-TERM LIABILITIES

	In BAM 30 June 2022	31 December 2021
a) Long-term borrowings:		
- cash borrowings	195,838,376	229,194,621
- borrowings for purchases of equipment	60,628,372	67,063,183
	256,466,748	296,257,804
b) Other long-term liabilities	6,715,274	6,775,594
Total long-term liabilities	**263,182,022**	**303,033,398**
Less: Current portion of long-term liabilities:		
- cash borrowings	(72,551,185)	(70,618,503)
- borrowings for purchases of equipment	(26,265,519)	(30,954,112)
- other long-term liabilities	(4,306,854)	(3,350,937)
Total current portion of long-term liabilities	**(103,123,558)**	**(104,923,552)**
	160,058,464	**198,109,846**

The average interest rate accrued on long-term borrowings for the purchase of equipment equals six-month EURIBOR increased by the margin ranging from 0.5% to 1% annually (2021: six-month EURIBOR increased by the margin ranging from 0.5% to 1% per annum). The interest rate applied to the cash loan is in accordance with the current market conditions.

Other long-term liabilities are mostly related to the liabilities for the licence for the use of radio frequency spectrum for the provision of services via mobile access systems issued by the Communication Regulatory Agency of Bosnia and Herzegovina.

The contractual currency for all loans, except for loans granted by the Government of the Kingdom of Spain, banks and domestic suppliers, is EUR.

The Group settles its liabilities arising from borrowings according to the contractually defined repayment schedules. The Group complies with all other loan agreement provisions. There has been no non-compliance that could give rise to any creditor demanding early loan repayment.

Maturities of long-term borrowings are presented in the following table:

	In BAM 30 June 2022	31 December 2021
Current portions	103,123,558	104,923,552
From 1 to 2 years	87,653,245	92,213,616
From 2 to 3 years	41,972,086	62,919,097
From 3 to 4 years	18,092,056	24,086,243
From 4 to 5 years	7,985,564	10,025,162
After 5 years	4,355,513	8,865,728
Total non-current portion of borrowings	160,058,464	198,109,846
	263,182,022	**303,033,398**

27. LIABILITIES FOR TV CONTENT DISTRIBUTION RIGHTS

	In BAM 30 June 2022	31 December 2021
Liabilities for TV content distribution rights	74,492,884	82,995,086
Less: Current portion of long-term liabilities for TV content distribution rights	(28,838,747)	(25,959,306)
	45,654,137	**57,035,780**

	In BAM 30 June 2022	31 December 2021
Current portions	28,838,747	25,959,306
From 1 to 2 years	21,605,066	24,059,702
From 2 to 3 years	14,816,771	16,352,079
From 3 to 4 years	9,081,665	13,081,274
From 4 to 5 years	150,635	3,542,725
Total non-current portion of borrowings	45,654,137	57,035,780
	74,492,884	**82,995,086**

28. LEASE LIABILITIES

	Land and buildings	Vehicles and equipment	In BAM Total
Balance,1 January 2021	56,472,505	233,399	56,705,904
New additions	9,147,644	141,840	9,289,484
Interest expense for right-of-use assets (*Note 11*)	1,267,916	6,191	1,274,107
Modification of the lease period	(1,380,529)	33,458	(1,347,071)
Liability closing	(14,700,138)	(136,173)	(14,836,311)
Balance, 31 December 2021	**50,807,398**	**278,715**	**51,086,113**
Balance, 1 January 2022	50,807,398	278,715	51,086,113
New additions	4,482,815	476,733	4,959,548
Interest expense for right-of-use assets (*Note 11*)	583,194	6,750	589,944
Modification of the lease period	(337,926)	6,926	(331,000)
Liability closing	(7,533,273)	(121,448)	(7,654,721)
Transfer from/to	(86,766)	86,766	-
Balance, 30 June 2022	**47,915,442**	**734,442**	**48,649,884**
Less: Current portion of long-term leases due within one year	(13,163,924)	(270,191)	(13,434,115)
Balance, 30 June 2022	**34,751,518**	**464,251**	**35,215,769**

The Group recognised liabilities for right-of-use assets in accordance with IFRS 16, based on which a liability is measured at the present value of all lease payments that were not made on the recognition date.

The Group used the interest rate on liabilities for right-of-use assets that the Group would have paid as a lessee if it had borrowed funds, under a similar time and with similar guarantees, necessary for the purchase of assets that have a similar value as right-of-use assets in a similar economic environment.

29. DEFERRED INCOME

	In BAM 30 June 2022	31 December 2021
Grants received	32,979	37,101
Less: Current portion of deferred income	(12,367)	(12,367)
	20,612	**24,734**

Movements on deferred income for the six-month period ended 30 June 2022 and FY 2021 were as follows:

	In BAM Period ended 30 June 2022	Year ended 31 December 2021
Balance, 1 January	37,101	49,468
Decrease credited to other income	(4,122)	(12,367)
Balance, end of the period/year	**32,979**	**37,101**

30. EMPLOYEE BENEFITS

	In BAM 30 June 2022	31 December 2021
Employee benefits		
- non-current portion	6,027,590	6,358,937
- current portion	800,642	793,596
	6,828,232	**7,152,533**

Long-term provisions for employee benefits as at 30 June 2022 in the amount of BAM 6,828,232 relate to the non-current and current provisions formed based on the calculation of present value of accumulated employee entitlements to retirement benefits and jubilee awards in accordance with IAS 19 "*Employee Benefits*".

Costs associated with the retirement benefits and jubilee awards are determined using the projected unit credit method, with actuarial calculation performed as at the date of the financial position statement.

Accordingly, the Group has hired a certified actuary to perform the calculation of the present value of accumulated rights to retirement benefits and jubilee awards as at 31 December 2021 on behalf of the Group. When calculating the present value of these accumulated rights to retirement benefits and jubilee awards, the authorized actuary used the following assumptions: a discount rate of 3.5% per annum, projected salary growth rate ranging from 0.3% to 1.2% per annum, projected years of service for retirement - 40 years for men and 35 to 40 years for women, the projected staff turnover on the basis of historical data on the movement of employees in the past, officially published mortality rates and other conditions necessary for exercising the right to retirement benefits and jubilee awards. As at 31 December 2021, demographic assumptions changed. The effects of changes in these assumptions are recognized as an actuarial loss within other comprehensive income.

30. EMPLOYEE BENEFITS (Continued)

Number of monthly salaries for jubilee awards is shown in the table below:

Number of years spent with the Company	Number of salaries
10	0.5
20	1
30	1.5
40	0.5

Given the fact that there were no significant fluctuations in the number of employees or changes to other actuarial assumptions, in the six-month period ended 30 June 2022, the Group updated the above-mentioned actuarial calculation of the present value of the accumulated employee entitlements to retirement benefits and jubilee awards.

Movements on long-term liabilities for employee benefits for the six-month period ended 30 June 2022 and for FY 2021 were as follows:

	In BAM 30 June 2022 and FY 2021
Balance, 1 January 2021	7,163,383
Charge for the year (*Note 10*)	487,556
Actuarial gains/(losses)	20,354
Payments during the period/year	(531,994)
Other	13,234
	7,152,533
Less: Current portion of long-term benefits due within one year	(793,596)
Balance, 31 December 2021	**6,358,937**
Balance, 1 January 2022	7,152,533
Payments during the period/year	(324,301)
	6,828,232
Less: A portion of long-term benefits due within one year	(800,642)
Balance, 30 June 2022	**6,027,590**

31. PROVISIONS

	In BAM Period ended 30 June 2022	Year ended 31 December 2021
Balance, 1 January	5,632,228	3,832,683
Provisions for litigations	32,078	923,038
Reversal of provisions for litigations	(405,155)	(104,614)
Other provisions	-	981,121
Balance, end of period/year	**5,259,151**	**5,632,228**

32. TRADE PAYABLES

	In BAM 30 June 2022	31 December 2021
Trade payables:		
- related parties (Note *36(a)*)	21,523,270	10,425,364
- domestic	80,451,103	70,288,192
- foreign	17,692,596	16,524,505
- for uninvoiced investments and services	6,668,339	14,200,018
	126,335,308	**111,438,079**

Trade payables are non-interest bearing. The Group has financial risk management policies in order to ensure that the liabilities are settled within the agreed time lines. The average days payable outstanding in the six-month period ended 30 June 2022 counted 187 (year ended 31 December 2021: 122 days).

The ageing structure of trade payables as at 30 June 2022 and 31 December 2021 was as follows:

	In BAM 30 June 2021	31 December 2020
From 0 to 30 days	97,825,342	92,534,149
From 31 to 60 days	5,297,064	6,721,629
From 61 to 120 days	5,250,073	5,940,460
From 121 to 180 days	2,953,424	2,893,816
From 181 to 270 days	4,505,815	1,929,205
From 271 to 360 days	10,503,590	1,418,820
	126,335,308	**111,438,079**

33. ACCRUALS

	In BAM 30 June 2022	31 December 2021
Deferred income – sales of prepaid top-ups	3,641,485	5,137,745
Accrued liabilities – international traffic	6,032,947	7,915,630
Accrued liabilities – media content distribution/broadcasting	6,232,804	5,804,177
Accrued liabilities per other expenses of the period	18,487,066	14,618,526
Accrued VAT liabilities on advance invoices	2,691,211	3,042,846
Other accruals	724,258	353,314
	37,809,771	**36,872,238**

Accrued liabilities for international traffic totalling BAM 6,032,947 as at 30 June 2022, mostly relate to the estimates of roaming discounts that the Group needed to approve based on the roaming realized with related parties.

Accrued liabilities per other expenses of the period amounting to BAM 18,487,066 as at 30 June 2022 represent expenses of the current period for which there were sufficient information on their existence and inception yet the Group had not received the final invoices for services or goods received until these consolidated financial statements' preparation date.

34. OTHER LIABILITIES

	In BAM 30 June 2022	31 December 2021
Advances and prepayments received from customers	2,005,167	2,061,252
Taxes and customs duties charged to expenses	292,640	310,122
Value added tax payable	3,917,869	4,066,523
Liabilities to employees	7,320,039	7,399,022
Liabilities for acquiring equity interest	5,372,626	5,372,626
Other liabilities	1,016,878	927,834
	19,925,219	**20,137,379**

35. INCOME TAXES

(a) Components of Income Taxes

	In BAM Period ended 30 June 2022	2021
Current tax expense of the period	3,674,830	2,871,067
Deferred tax expense - increase in deferred tax assets	-	(31,580)
Deferred tax income - decrease in deferred tax assets	169,381	
Deferred tax income - decrease in deferred tax liabilities	713,699	93,628
	4,557,910	**2,933,115**

(b) Numerical Reconciliation between Tax Expense and the Product of the Accounting Results Multiplied by the Statutory Tax Rate

	In BAM Period ended 30 June 2022	2021
Profit before tax	49,149,099	31,005,754
Income taxes	4,700,702	3,292,158
Adjustments of expenses/income for:		
- non-taxable income effects	(1,343,395)	(446,937)
- non-deductible costs effects	317,522	25,846
- temporary differences effects	883,080	62,048
Income tax expense	4,557,910	2,933,115
Effective tax rate for the period	9.27%	9.46%

35. INCOME TAXES (Continued)

(c) Deferred Tax Assets

	In BAM Period ended 30 June 2022	Year ended 31 December 2021
Balance, 1 January	1,044,982	1,036,833
Decrease/increase in deferred tax assets	(169,381)	8,149
Deferred tax assets of the prior period recognized in the current period	(27,289)	-
Balance, end of the period/year	**848,312**	**1,044,982**

(d) Deferred Tax Liabilities

	In BAM 30 June 2022	31 December 2021
Balance, 1 January	(11,885,182)	(10,691,455)
Increase in deferred tax liabilities during the period/year	(1,067,491)	(1,892,949)
Decrease in deferred taxes based on a business combination	353,792	699,222
Balance, end of the period/year	**(12,598,881)**	**(11,885,182)**

(e) Current Tax receivables/liabilities

	In BAM 30 June 2022	31 December 2021
Receivables for overpaid income tax	969,955	-
Liabilities for the current income tax	-	439,987
Balance, end of the period/year	**969,955**	**439,987**

36. RELATED PARTY TRANSACTIONS

The majority owner of the Group is Telekom Srbija a.d, Belgrade, whose majority shareholder is the Republic of Serbia. The following table presents the receivables and payables arising from the related party transactions:

a) STATEMENT OF FINANCIAL POSITION

In BAM

30 June 2022	Parent Company	Associates	Other related parties	TOTAL
TV content distribution rights	3,002,523	-	3,495,428	**6,497,951**
Property and equipment	-	-	-	**-**
Total non-current assets	**3,002,523**	**-**	**3,495,428**	**6,497,951**
Trade receivables	10,249,230	5,315,754	2,742,493	**18,307,477**
Interest receivables	-	89,359	-	**89,359**
Calculated, uninvoiced income from international settlements	3,382,293	365,325	-	**3,747,618**
Other short-term receivables	675	-	-	**675**
Total receivables	**13,632,198**	**5,770,438**	**2,742,493**	**22,145,129**
Total	**16,634,721**	**5,770,438**	**6,237,921**	**28,643,080**
Trade payables	(18,650,550)	(391,023)	(2,481,697)	**(21,523,270)**
Calculated (estimated) expenses	(6,136,931)	(1,234,323)	(336,387)	**(7,707,641)**
Payables for TV content distribution rights	(34,430,318)	-	(2,586,765)	**(37,017,083)**
Dividends payable	(69,759,618)	-	-	**(69,759,618)**
Total payables	**(128,977,417)**	**(1,625,345)**	**(5,404,849)**	**(136,007,611)**
Net receivables / (payables)	**(112,342,696)**	**4,145,092**	**833,072**	**(107,364,532)**

In BAM

31 December 2021	Parent Company	Associates	Other related parties	TOTAL
TV content distribution rights	46,153,937	-	1,901,067	**48,055,004**
Property and equipment	-	48,896	-	**48,896**
Total non-current assets	**46,153,937**	**48,896**	**1,901,067**	**48,103,900**
Trade receivables	11,490,911	5,643,329	2,047,524	**19,181,764**
Interest receivables	-	89,359	-	**89,359**
Calculated, uninvoiced income from international settlements	3,040,933	685,795	-	**3,726,728**
Other current receivables	675	-	-	**675**
Total receivables	**14,532,519**	**6,418,483**	**2,047,524**	**22,998,526**
Total	**60,686,456**	**6,467,379**	**3,948,591**	**71,102,426**
Trade payables	(8,535,882)	(892,533)	(996,949)	**(10,425,364)**
Calculated (estimated) expenses	(7,300,783)	(2,063,838)	(335,057)	**(9,699,678)**
Payables for TV content distribution rights	(37,732,471)	-	(1,348,936)	**(39,081,407)**
Dividends payable	(48,672,592)	-	-	**(48,672,592)**
Total payables	**(102,241,728)**	**(2,956,371)**	**(2,680,942)**	**(107,879,041)**
Net receivables / (payables)	**(41,555,272)**	**3,511,008**	**1,267,649**	**(36,776,615)**

36. RELATED PARTY TRANSACTIONS (Continued)

(b) STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Period ended 30 June 2022 — In BAM

	Parent Company	Associates	Other related parties	TOTAL
Income from the sale of goods and services	12,855,333	1,414,346	863,981	**15,133,660**
Interest income	-	-	-	**-**
Other operating income	-	64,551	-	**64,551**
Total income	**12,855,333**	**1,478,897**	**863,981**	**15,198,211**
Expenses incurred with related parties	(9,616,872)	(890,881)	(1,545,447)	**(12,053,200)**
Total expenses	**(9,616,872)**	**(890,881)**	**(1,545,447)**	**(12,053,200)**
Net income/(expenses)	**3,238,461**	**588,016**	**(681,466)**	**3,145,011**

Period ended 30 June 2021 — In BAM

	Parent Company	Associates	Other related parties	TOTAL
Income from the sale of goods and services	11,941,499	1,201,626	713,355	**13,856,480**
Interest income	-	8,191	-	**8,191**
Other operating income	25,134	12,876	-	**38,010**
Total income	**11,966,633**	**1,222,693**	**713,355**	**13,902,681**
Expenses incurred with related parties	(9,778,804)	(819,707)	(1,590,337)	**(12,188,848)**
Total expenses	**(9,778,804)**	**(819,707)**	**(1,590,337)**	**(12,188,848)**
Net income/(expenses)	**2,187,829**	**402,986**	**(876,982)**	**1,713,833**

In BAM

	Period ended 30 June 2022	Period ended 30 June 2021
c) Short-term remunerations to key management personnel:		
- Executive Board and management of related parties	(1,067,934)	(915,556)
- Management Board	(151,764)	(148,105)
- Audit Committee	(48,817)	(36,191)
- Supervisory Board	(43,269)	(49,244)
	(1,311,784)	**(1,149,095)**

The key management personnel are not entitled to the additional long-term employee benefits or termination benefits other than those disclosed in *Note 3.14*.

Related party transactions were performed under terms and conditions that are the same as or similar to those applying to the arm's length transactions. The Group did not have expected credit losses on the date of compiling these consolidated financial statements, based on which an allowance for impairment of receivables from related parties would be made.

37. EARNINGS AND DIVIDEND PER SHARE

	In BA Period ended 30 June 2022	2021
Net profit for the period	44,591,190	28,072,640
Weighted average number of shares outstanding	491,383,755	491,383,755
Earnings per share (basic and diluted)	0.0907	0.0571

Liabilities for the remaining unpaid dividends to the shareholders as at 30 June 2022 amounted to BAM 93,200,367 (31 December 2021: BAM 62,796,866).

38. CONTINGENT LIABILITIES

Litigations

The Group appears occasionally as a defendant in legal suits filed against it by private individuals and legal entities. The estimated contingent liabilities arising from lawsuits filed against the Group as at 30 June 2022 totalled BAM 58,063,192, not including effects of penalty (default) interest and court expenses.

The most significant court proceeding is the one which involves *Crumb group* d.o.o. Bijeljina as a plaintiff amounting to BAM 42 million. Management uses legal advisory services in the aforesaid case, based on which it believes that the probability of negative outcome for the Group is very remote, given that that the above mentioned lawsuit is lacking in merit.

The above-mentioned belief that the claim directed against the Company is unfounded is based on the fact that in this suit, within legally prescribed proceedings, the competent courts have already established that there had been no unlawfulness on the part of the Company. Management further expects that the final outcome of this dispute will not significantly or materially hinder the financial operations of the Company. Based on the above-mentioned facts, the Company has not recorded provisions for the said legal suit nor does it consider any further disclosures in respect thereof necessary. The Company's management estimates that no material losses shall arise from the outcomes of the remaining ongoing litigation, above the amount for which the provision has already been made.

39. FINANCIAL INSTRUMENTS

39.1. Capital Risk Management

The Group manages capital risk in order to ensure the continuity of its business operations for an indefinite period in the foreseeable future and preserve optimal capital structure with a view to decrease the capital-related expenses and provide return on equity to its owners. The Group monitors capital based on the debt-to-equity ratio.

Management of the Group reviews the capital structure on an as-needed basis. Based on this review, the Group will balance its overall capital structure through new long-term investments as well as obtaining new borrowings or redemption of the existing debt. The Group's overall capital management strategy remains unchanged.

39.1.1. Debt to Equity Ratio

The Group's debt ratios as at the end of the year were as follows:

	In BAM	
	30 June 2022	**31 December 2021**
Debt (a)	263,182,022	303,033,398
Cash and cash equivalents	(17,377,419)	(20,807,916)
Net debt	**245,804,603**	**282,225,482**
Equity (b)	678,155,929	678,668,336
Debt to equity ratio	36.25%	41.59%

(a) Debt relates to long-term borrowings and current portion of long-term liabilities.

(b) Equity includes share capital, reserves, retained earnings and losses on the financial assets at FVTOCI.

39.1.2. Significant Accounting Policies Regarding Financial Instruments

Significant accounting policies and adopted principles, including the recognition criteria, basis of measurement and recognition of income and expenses for each category of financial assets, financial liabilities and equity, are set out in Note 3 to the consolidated financial statements.

39.2. Categories of Financial Instruments

Categories of financial instruments as at 30 June 2022 and 31 December 2021 are presented in the table below:

	In BAM	
	30 June 2022	**31 December 2021**
Financial assets measured at amortized cost	106,258,093	109,241,037
Financial liabilities at amortized cost	609,495,714	617,258,236

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Objectives of Financial Risk Management

In its regular course of business, the Group is, in various extent, exposed to certain financial risks, which are: market risk (comprised of currency risk, interest rate risk and price risk), liquidity risk and credit risk. The risk management in the Group is focused on minimizing the potential adverse effects on the Group's financial position and business operations, contingent on the volatility of the market. The accounting policies adopted by the Group regulate the risk management.

Over the six-month period ended 30 June 2022, the Group did not enter into transactions with derivative instruments, such as interest rate swaps or forwards.

(1) Market Risk

(a) Foreign Exchange Risk

Although the Group performs a number of its transactions in foreign currencies, the Group's management holds that the Group is not significantly exposed to currency risk in transactions in the country and abroad, as it mostly performs its business operations in the local currency (Convertible Mark), as well as in EUR, to which the Convertible Mark is indexed-linked (1 EUR = 1.95583 BAM).

Accordingly, the Group's management did not perform analysis of the sensitivity to the changes of the foreign exchange rates, except for the USD currency as it has certain liabilities denominated in USD.

The carrying values of financial assets and liabilities of the Group expressed in foreign currencies as at the reporting date were as follows:

	In BAM			
	Assets		Liabilities	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
EUR	16,287,604	22,631,527	177,420,443	193,893,008
USD	4,718,605	449,861	7,761,327	5,141,683
CHF	2,748	2,703	-	-
GBP	321	58	275	-
HRK	4,145	2,249	-	-
RSD	74,612	283,419	-	-
SEK	156	163	-	-
DKK	549	549	-	-
	21,088,740	23,370,529	185,182,045	199,034,691

Sensitivity Analysis

Sensitivity analysis to exchange rate changes was mainly made for USD, and determined based on the foreign exchange risk exposure at the end of the reporting period.

If the foreign currencies exchange rate had been 10% higher/lower, the Group's net profit for the six-month period ended 30 June 2022 would have decreased / increased by the amount of BAM 25,268 (comparative figure in 2021: BAM 14,531).

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Financial Risk Management (Continued)

(1) Market Risk (Continued)

(b) Interest Rate Risk

The Group is exposed to various risks, which through the effects of the fluctuations in the market interest rates influence its financial position and cash flows. Given that the Group has no significant interest-bearing assets, the Group's income is to a great extent independent of interest rate risk.

The Group's risk from the changes in the interest rates arises primarily on the long-term borrowings. The loans obtained at variable interest rates make the Group' susceptible to cash flow interest rate risk, while the loans obtained at fixed interest rates expose the Group to the fair value interest rate risk.

During the six-month period ended 30 June 2022, the largest portion of the liabilities arising from borrowings had a variable interest rate which was linked to EURIBOR. Borrowings with variable interest rates were mostly denominated in foreign currency (EUR).

The Group analyses its exposure to interest rate risk on a dynamic basis taking into consideration the alternative sources for financing and refinancing, of long-term liabilities in the first place, as these represent the most important interest-bearing item. The Group still does not swap variable for fixed interest rates, and vice versa, but takes steps to securitize loans from banks at more favourable terms.

Sensitivity Analysis

Sensitivity analysis of interest rates changes is determined on the basis of interest rate exposures of non-derivative instruments at the end of the reporting period. As regards floating interest rate liabilities, the analysis has been prepared assuming that the outstanding liabilities at the end of the reporting period remained outstanding throughout the reporting period.

Had interest rates applied to cash loans and loans in kind during the reporting period been higher/lower by 10% where other variables remained unaltered, the Group's net profit for the six-month period ended 30 June 2022 would have decreased / increased by the amount of BAM 266,194 (comparative figure in 2021: BAM 320, 573) as a result of higher/lower interest expenses.

(c) Equity Price Risk

During the reporting period of six months ended 30 June 2022, the Group was exposed to a risk of price changes of equity securities. The aforementioned investments are held for strategic purposes rather than everyday trading, and they are not actively traded.

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Financial Risk Management (Continued)

(2) Liquidity Risk

Liquidity management is centralized at the Group level.. The ultimate responsibility for the liquidity risk management rests with the Group's management, which has established certain procedures for the management of the Group's long-term and short-term liquidity risk.

The Group has a sufficient amount of highly liquid assets (cash and cash equivalents), and continuous cash flows from the provision of services which enables it to discharge its liabilities when due.

The Group does not use financial derivatives.

In order to manage liquidity risk, the Group has adopted financial policies which define dispersion on decision-making levels in the course of the acquisition of certain goods/services. This dispersion is ensured by limiting the authority of certain persons or bodies within the Group to make decisions on certain acquisitions.

Maturities of the Group's financial assets and liabilities as at 30 June 2022 and 31 December 2021 were as follows:

Financial assets — In BAM

30 June 2022	**Up to 3 months**	**3-12 months**	**1-2 years**	**2-5 years**	**over 5 years**	**Total**
Non-interest bearing						
- Loans and receivables (including cash and cash equivalents)	105,489,049	-	-	-	-	105,489,049
Fixed interest rate						
- Fair value at amortised cost	25,272	171,935	35,965	103,355	225,449	561,976
Total	**105,514,321**	**171,935**	**35,965**	**103,355**	**225,449**	**106,051,025**
31 December 2021						
Non-interest bearing						
- Loans and receivables (including cash and cash equivalents)	107,539,282	-	-	-	-	107,539,282
Fixed interest rate						
- Fair value at amortised cost	1,158,729	190,452	35,965	103,355	225,177	1,713,678
Total	**108,698,011**	**190,452**	**35,965**	**103,355**	**225,177**	**109,252,960**

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Financial Risk Management (Continued)

(2) Liquidity Risk (Continued)

Financial liabilities **In BAM**

30 June 2022	Up to 3 months	3-12 months	1-2 years	2-5 years	over 5 years	Total
Other liabilities at amortized cost						
- Non-interest bearing	212,990,869	41,509,677	21,605,066	24,049,071	-	300,154,683
- Instruments at variable interest rate и	26,073,793	77,603,042	90,236,984	68,701,485	4,444,405	267,059,709
- Instruments at fixed interest rate	4,003,191	14,600,483	14,016,306	19,194,745	6,453,556	58,268,281
Total	**243,067,853**	**133,713,202**	**125,858,356**	**111,945,301**	**10,897,961**	**625,482,673**
31 December 2021						
Other liabilities at amortized cost						
- Non-interest bearing	172,605,655	34,314,939	24,059,702	32,976,078	-	263,956,374
- Non-interest bearing	27,301,939	78,892,373	91,755,557	99,364,789	8,925,537	306,240,195
- Instruments at variable interest rate	3,460,297	13,693,555	16,911,794	20,131,992	6,846,811	61,044,449
Total	**203,367,891**	**126,900,867**	**132,727,053**	**152,472,859**	**15,772,348**	**631,241,018**

A breakdown of maturities of financial instruments (assets and liabilities) is made based on the undiscounted cash flows of financial assets and financial liabilities, including interest charged to those assets which will be earned (except from the assets based on which the Group expects cash flow in another period), i.e., based on the earliest date on which the Group can be expected to settle the liability incurred.

The amounts included in the table above for financial instruments (assets and liabilities) at variable interest rates may be subject to change if the changes in variable interest rates are different from the estimated interest rate established at the end of the reporting period.

(3) Credit Risk

Credit risk is the risk that counterparty will default on its contractual obligations to the Group, which will result in financial loss to the Group, The Group has adopted policies regarding the monitoring of customer creditworthiness as well as requiring certain security (collateral), where possible, with a view to reducing the risk of potential financial losses resulting from failure to meet certain contractual obligations.

Credit risk is inherent in receivables from corporate and retail customers, in cash and cash equivalents, deposits held with banks and financial institutions, and commitments.

The Group is exposed to credit risk to a limited extent. As hedges against credit risk, certain measures and activities have been taken on the Group level. In case any service user falls behind in settlement of liabilities to the Group, further services to such a user are suspended.

In addition, the Group does not have material credit risk concentration in receivables as it has a large number of unrelated customers with individually small amounts of debt. Apart from disabling further use of services, the following procedures of collection are also in place: debt rescheduling, offsets with legal entities, legal suits, out-of-court settlements and other.

The collection of loans extended to the Group employees is ensured through salary garnishment, i.e., by decreasing salaries for the adequate amount of repayment instalments, whereas the employees leaving the Group enter agreements to regulate the manner of repayment of the outstanding loan portion upon leaving the Group.

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Financial Risk Management (Continued)

(3) Credit Risk (Continued)

For credit risk minimization purposes, the Group has developed and maintained credit risk assessment in order to categorize its exposures according to the default risk. Information on the credit rating is obtained from the independent credit rating agencies. In case such information is not available, the Group uses other publicly available financial information and its own data on the trading activity in order to assess its major customers and other debtors. The Group's credit risk exposure and the counterparty credit risk are constantly monitored and the aggregate value of the contractually agreed transactions is diversified among eligible (approved of) parties.

The Group's current framework for credit risk assessment is comprised of the following categories:

Category	Description	Basis for ECL recognition
Performing	Low-level default risk of the counterparty; no outstanding amounts past due	12-month ECL
Doubtful	Amounts outstanding over 30 days past due or a significant increase in credit risk has occurred since the initial recognition	Lifetime ECL – no impairment allowance
Non-performing – Default	Amounts outstanding over 60 days past due or there is objective evidence of impairment	Lifetime ECL – with impairment allowance
Write-off	Evidence of the debtor's severe financial difficulties and there is no realistic likelihood of recovery of the Group's receivables	Written-off amount

The following table presents the credit quality of the Group's financial assets, contractual assets and financial guarantees, as well as the Group's maximum credit risk exposure per credit risk assessment.

30 June 2022	Note	External classification	Internal classification	12 month ECL or lifetime ECL?	Gross exposure	Impairment allowance	Net amount
Long-term receivables and loans	17	NA	Performing and non-performing	Lifetime ECL	549,099	31,180	517,919
Trade receivables	19	NA	Performing and non-performing	Lifetime ECL	156,355,225	68,819,789	87,535,436
Other receivables	20	NA	Performing and non-performing		1,411,040	586,599	824,441
Cash and cash equivalents	24	NA	Performing		17,367,419	-	17,367,419
Financial assets subsequently measured at amortized cost	16	NA	Performing		12,878	-	12,878
					175,695,661	**69,437,568**	**106,258,093**

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Financial Risk Management (Continued)

(4) Fair Value

Fair Value of Financial Assets Not Measured at Fair Value

Except as described in the table below, management of the Group believes that the carrying values of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	30 June 2022		31 December 2021	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets:				
Financial assets at fair value measured at amortized cost	12,478	11,974	12,478	11,974
Total	**12,478**	**11,974**	**12,478**	**11,974**

The assumptions used to estimate current fair values of financial assets/liabilities are summarized below:

- For short-term investments, loans and liabilities, the carrying value approximates their fair value due to their short maturity.
- For long-term investments and liabilities, fair value is calculated using the method of discounting future cash flows at a current market interest rate, which is available to the Group for similar financial instruments.
- For securities available for sale that are traded in an active market, fair value calculation is based on the current market value of listed securities.

40. SEGMENT REPORTING

40.1. Segment information

As at 30 June 2022, the Group's reporting segments in accordance with IFRS 8 were as follows:

1. Fixed-line network and
2. Mobile network.

40.2. Segment Revenues and Results

The segment revenues and results for the six-month period ended 30 June 2022 are presented in the following table:

In BAM

30 June 2022	Fixed-line Network	Mobile Network	Total
Sales of goods and services	117,261,005	125,958,501	243,219,506
Other operating income	9,472,329	4,215,500	13,687,829
Inter-segment settlement	39,359,301	16,258,184	55,617,485
Cost of material, goods and combined services	(7,871,279)	(20,112,072)	(27,983,351)
Staff costs	(24,674,525)	(18,861,495)	(43,536,020)
Depreciation and amortization charges	(48,571,053)	(23,458,218)	(72,029,271)
Cost of production services	(31,524,427)	(20,283,824)	(51,808,251)
Other operating expenses	(5,145,790)	(8,351,230)	(13,497,020)
Finance income – interest income	180,989	143,854	324,843
Finance income – other income	403,525	63,869	467,394
Impairment of financial assets	(700,055)	(453,058)	(1,153,113)
Finance expenses	(2,085,147)	(1,929,145)	(4,014,292)
Inter-segment settlement	(16,258,184)	(39,359,301)	(55,617,485)
Share in the profit of associates	2,637,495	2,833,351	5,470,846
Profit before taxes	**32,484,184**	**16,664,916**	**49,149,100**
Income tax expense	(3,012,466)	(1,545,444)	(4,557,910)
Net profit	**29,471,718**	**15,119,472**	**44,591,190**

40. SEGMENT REPORTING (Continued)

40.2. Segment Revenues and Results (Continued)

The segment revenues and results for the six-month period ended 30 June 2021 are presented in the following table:

In BAM

30 June 2021	Fixed-line Network	Mobile Network	Total
Sales of goods and services	117,000,838	122,060,196	239,061,034
Other operating income	2,098,652	1,867,875	3,966,527
Inter-segment settlement	34,243,420	14,176,968	48,420,388
Cost of material, goods and combined services	(6,840,958)	(23,045,265)	(29,886,223)
Staff costs	(24,855,728)	(19,397,143)	(44,252,871)
Depreciation and amortization charges	(41,071,946)	(23,645,785)	(64,717,731)
Cost of production services	(38,792,244)	(16,916,590)	(55,708,834)
Other operating expenses	(5,404,915)	(8,467,585)	(13,872,500)
Finance income – interest income	253,633	196,099	449,732
Finance income – other finance income	67,656	58,957	126,613
Impairment of financial assets	(1,365,041)	(1,111,854)	(2,476,895)
Finance expenses	(2,052,741)	(1,990,834)	(4,043,575)
Inter-segment settlement	(14,176,968)	(34,243,420)	(48,420,388)
Share in the profit of associates	1,155,217	1,205,261	2,360,478
Profit before taxes	**20,258,875**	**10,746,880**	**31,005,755**
Income tax expense	(1,916,470)	(1,016,645)	(2,933,115)
Net profit	**18,342,405**	**9,730,235**	**28,072,640**

Segment revenues and results reported above (for the six-month periods ended 30 June 2022 and 30 June 2021) represent revenue generated from external customers. Inter-segment sales during the period have been eliminated.

The accounting policies of the reporting segments are the same as the Group's accounting policies described in *Note 3*.

Segment profit represents the profit earned by each segment with allocation of all costs, on the basis of the revenues earned by each individual reporting segment. This is the measure reported to the chief operating decision makers for the purposes of adequate resource allocation and assessment of segment performance.

The Group's revenue from its major services is presented in detail in *Note 5* to the consolidated financial statements.

40. SEGMENT REPORTING (Continued)

40.3. Segment Capital Expenditures

Capital expenditures of the segments during the period ended 30 June 2022 and 30 June 2021 were as follows:

			In BAM
	Fixed-Line Network	**Mobile Network**	**Total**
30 June 2022			
Capital expenditures (*Notes 12, 13 and 14)*	36,050,506	22,412,003	**58,462,509**
30 June 2021			
Capital expenditures (*Notes 12, 13 and 14)*	48,523,989	25,522,267	**74,046,256**

Capital expenditures include purchases of intangible assets, right-of-use assets, property and equipment during the reporting period.

41. TAX RISKS

Republic of Srpska and Bosnia and Herzegovina currently have several tax laws in effect, as imposed by various governmental agencies. The applicable taxes include: a value added tax, corporate income tax, and payroll (social) taxes, among others. Besides that, the regulations governing these taxes were not enforced for substantial periods of time; in contrast to similar legislation in more developed market economies. Moreover, the regulations defining the implementation of these laws are often unclear or non-existent.

Hence, with regard to tax issues there is limited number of cases that can be used as an example. Often, contrary opinions pertaining to legal interpretations exist both among, and within, governmental ministries and organizations, thusly creating uncertainties and areas of legal contention. Tax declarations, together with other legal compliance matters (e.g., customs and currency control matters) are subject to the review and investigation by a number of authorities that are legally enabled to impose extremely severe fines, penalties and interest charges.

The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest. In accordance with the Law on Tax Authority of the Republic of Srpska, expiration period of the tax liability is five years. This practically means that tax authorities could determine payment of outstanding liabilities in the period of five years from the origination of the liability. The afore-described situation creates tax risks in the Republic of Srpska and Bosnia and Herzegovina that are substantially more significant than those typically existing in countries with more developed tax systems.

In addition, the Group performs a significant number of business transactions with its related parties. Although the Group's management is of the opinion that the documentation on transfer prices is sufficient and adequate, it is uncertain whether the requirements and interpretations of the tax and other authorities differ from those of the management. The Group's management believes that no varying interpretations could have material impact on the Group's consolidated financial statements on the whole.

42. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE GROUP

The Group is regularly monitoring events related to the spread of the Covid-19 virus, as well as its impact on the Group's macroeconomic environment and business operations of the Group, and it is implementing all necessary measures in order to minimize the impact of the pandemic on the business operations. At the issuance date of these financial statements, the Group continues to meet its liabilities as they mature and continuously provides services to its clients.

43. EXCHANGE RATES

The official median exchange rates for major currencies, as determined in the Interbank Foreign Exchange Market and used in the translation of the statement of financial position components denominated in foreign currencies into BAM were as follows:

	30 June 2022	31 December 2021
		In BAM
Euro (EUR)	1.95583	1.95583
Serbian Dinar (RSD)	0.01666	0.01664
American Dollar (USD)	1.85968	1.72563
Swiss Franc (CHF)	1.95485	1.88732