



**“MTEL” a.d. BANJA LUKA**

**Separate Financial Statements  
For the Year Ended 31 December 2020  
and  
Independent Auditor’s Report**

## CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1 - 5</b>
<b>SEPARATE FINANCIAL STATEMENTS</b>	
Separate Statement of Profit and Loss and Other Comprehensive Income	6
Separate Statement of Financial Position	7
Separate Statement of Changes in Equity	8
Separate Statement of Cash Flows	9
Notes to the Separate Financial Statements	10 - 56

*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 accompanying separate financial statements of "Mtel" a.d. Banja Luka (hereinafter the "Company"), which comprise the separate statement of financial position as at 31 December 2020 and the separate statement of profit and loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2020, and its separate financial performance and its separate cash flows for the year 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), including those ethical standards relevant to our audit of financial statements in the Republic of Srpska, and we have fulfilled our other ethical responsibilities in accordance with these standards and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

(continued)

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (Continued)

Key Audit Matter	Audit procedures applied
<p>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 financial statements</p>	<p>We assessed the Company'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.</p> <p>We tested the compliance of prices and discount terms on customers' invoices with the current pricelist and discount terms on a sample basis.</p>
<p>There are inherent risks associated with the accuracy of recognized revenues arising from the complexity of information systems (IT) of the Company, through which the realised traffic, billing, approved free traffic and other discounts in the revenue generation process are measured.</p> <hr/> <p>Based on the procedures performed, we have not identified significant findings in relation to the accuracy of the revenue recorded in 2020.</p>	

Key Audit Matter	Audit procedures applied
<p>2. Accrual of income and expenses due to the assessment of contracted and realised roaming discounts in the international traffic, Notes 24 and 33 to the separate financial statements</p>	<p>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.</p> <p>We have verified the billing of the amount of roaming with clearings and settlements received from clearing houses in 2020.</p> <p>In addition, we have checked the consistency in the application of the Company's accounting policies when recording the roaming discount.</p>
<p>Accrued income of the Company 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 Company 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.</p> <hr/> <p>Based on the procedures performed, we have not identified significant findings in relation to the accrued discounts based on the roaming traffic realised in 2020.</p>	

(continued)

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
<p>3. Useful lives of property and equipment Notes 4 and 14 to the separate financial statements</p>	

We have identified the useful lives of property and equipment as a key audit matter because it requires management to make significant judgments in estimating the remaining useful lives, taking into account the nature, timing and likelihood of changes in technical factors that may affect the expected useful lives of assets. and therefore, may have a material effect on depreciation expense in a particular year.

Management estimates the useful life and residual value of property and equipment on an annual basis. After conducting a review of the useful life of property and equipment, during 2020 the Company decided to change the accounting estimates of the remaining useful life of certain property and equipment, which resulted in lower depreciation costs compared to the previous year in the amount of BAM 10,762,309.

Based on the conducted procedures, we did not identify significant findings in relation to the assessment of the useful life of property and equipment.

Our procedures regarding the useful lives of property and equipment included the following:

- Testing key controls over management's judgment regarding accounting estimates of the useful lives of property and equipment.
- Assessing management's estimates of the useful lives of property and equipment, referring to: (1) consistency with the expected pattern of economic benefits to be consumed by the Company, contained in the relevant assets and future operating plans, including acquisitions and disposals of property and equipment; (2) comparison with policies adopted by other comparable telecommunications operators; and (3) a review of the Company's historical experience, up-to-date information on the independent vendor equipment model, and our knowledge of the telecommunications industry..
- Verification of assumptions and critical judgments used by management by comparing past management estimates and plans with current year estimates and plans taking into account recent developments in the telecommunications industry and market conditions.

(continued)



## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(continued)

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

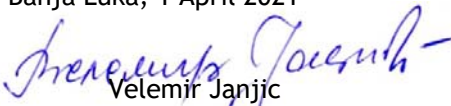
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 separate 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, 1 April 2021

  
Velemir Janjic  
Authorised for representation of  
BDO d.o.o. Banja Luka



  
Tibor Florjan  
Certified Auditor  
BDO d.o.o. Banja Luka

**SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the Year Ended 31 December 2020**  
**(In BAM)**

	Note	For the year ended as of 31 December 2020	For the year ended as of 31 December 2019
Sales of goods and services	5	414,183,976	414,271,508
Other operating income	6	6,755,165	9,079,439
Cost of materials, merchandise and combined services	7	(59,881,167)	(58,307,782)
Staff costs	8	(70,519,365)	(72,029,733)
Depreciation and amortization charges	12,13,14	(106,458,929)	(114,892,950)
Cost of production services	9	(82,463,660)	(85,944,944)
Other operating expenses	10	(27,148,720)	(25,950,210)
Financial income – interest-bearing	11	716,383	886,474
Financial income - other	11	6,959,862	8,176,944
Impairment of financial assets	22	(2,865,963)	(1,552,149)
Financial expenses	11	(7,869,947)	(6,307,850)
<b>Profit before taxes</b>		<b>71,407,635</b>	<b>67,428,747</b>
Income tax expense	35 (a)	(7,028,114)	(6,403,041)
<b>Net profit</b>		<b>64,379,521</b>	<b>61,025,706</b>
<b>Other comprehensive income, net of income taxes:</b>			
<i>(a) Items that may be subsequently reclassified to profit or loss:</i>			
Gains/(losses) from financial assets at fair value measured through other comprehensive income	17	(965)	536
<i>Total other comprehensive income, net of income tax</i>		(965)	536
<b>Total comprehensive income for the year</b>		<b>64,378,556</b>	<b>61,026,242</b>
<b>Earnings per share:</b>			
Basic and diluted earnings per share	37	0.1310	0.1242

The accompanying separate financial statements of the Company were approved for issuance by the Management "Mtel" a.d., Banja Luka on 28 February 2021.

Signed on behalf of the Company by:

Marko Lopičić  
General Manager

L.S.

Jasmina Lopičić  
Chief Financial Officer

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



**SEPARATE STATEMENT OF FINANCIAL POSITION**  
**As of 31 December 2020**  
**(In BAM)**

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	98,255,867	90,750,366
Assets with the right of use	13	47,730,607	52,321,161
Property and equipment	14	562,926,880	561,866,093
Investments in subsidiaries	15	234,438,735	223,194,608
Investments in the associate	16	161,764,419	149,736,065
Other investments	17	29,068	40,864
Long-term receivables and loans	18	207,655	1,450,652
Deferred tax assets	35 (c)	313,880	259,254
		1,105,667,111	1,079,619,063
<b>Current assets</b>			
Inventories	19	17,228,579	16,268,196
Trade receivables	20	73,076,884	70,830,142
Receivables for overpaid income tax	35 (d)	293,083	-
Other receivables	21	9,470,002	8,117,896
Deposits and loan receivables	23	11,761,952	10,641,844
Prepayments and accrued income	24	17,422,828	20,006,000
Cash and cash equivalents	25	5,059,011	41,497,361
		134,312,339	167,361,439
<b>Total assets</b>		<b>1,239,979,450</b>	<b>1,246,980,502</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	491,383,755	491,383,755
Legal reserves	26	49,141,766	49,141,766
Unrealized losses from financial assets at fair value measured through other comprehensive income		(1,641)	(676)
Other reserves – reserves arising on the commitment to invest	26	97,791,500	97,791,500
Retained earnings		48,212,756	43,575,758
		686,528,136	681,892,103
<b>Non-current liabilities and provisions</b>			
Interest bearing loans and liabilities	27	237,491,265	253,083,336
Lease liabilities	28	37,857,562	42,594,509
Other non-current liabilities		24,387,574	13,604,976
Deferred income	29	37,101	49,468
Employee benefits	30	6,144,478	6,251,144
Provisions	31	35,000	46,032
Deferred tax liabilities	35 (d)	1,395,246	275,339
		307,348,226	315,904,804
<b>Current liabilities</b>			
Interest bearing loans and liabilities	27	99,096,071	85,038,457
Lease liabilities	28	11,237,147	10,644,669
Trade payables	32	69,083,278	53,421,860
Accruals and deferred income	33	24,368,331	24,876,880
Employee benefits	30	664,406	601,786
Provisions		1,765,304	-
Deferred income	29	12,367	12,367
Dividend payables	37	22,995,752	15,289,409
Income tax liabilities	35 (e)	-	235,645
Interest bearing loans and liabilities Other liabilities	34	16,880,432	59,062,522
		246,103,088	249,183,595
<b>Total equity and liabilities</b>		<b>1,239,979,450</b>	<b>1,246,980,502</b>

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

**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended 31 December 2020**  
**(In BAM)**

	Share Capital	Legal Reserves	Unrealized (losses)/ gains/on the Available- for-Sale Securities	Other Reserves – Reserves Arising on the Commitment to Invest	Retained Earnings	Total
<b>Balance as of 1 January 2019</b>	<b>491,383,755</b>	<b>49,141,766</b>	<b>(1,212)</b>	<b>97,791,500</b>	<b>38,445,821</b>	<b>676,761,630</b>
Net profit for the year	-	-	-	-	61,025,706	61,025,706
Total other comprehensive income for the year	-	-	536	-	-	536
<i>Total comprehensive income for the year</i>	-	-	<b>536</b>	-	<b>61,025,706</b>	<b>61,026,242</b>
<i>Profit distribution:</i>						
Dividends paid to shareholders	-	-	-	-	(38,445,821)	(38,445,821)
Interim dividends paid to shareholders	-	-	-	-	(17,449,948)	(17,449,948)
<b>Balance as of 31 December 2019</b>	<b>491,383,755</b>	<b>49,141,766</b>	<b>(676)</b>	<b>97,791,500</b>	<b>43,575,758</b>	<b>681,892,103</b>
Net profit for the year	-	-	-	-	64,379,521	64,379,521
Total other comprehensive income for the year	-	-	(965)	-	-	(965)
<i>Total comprehensive income for the year</i>	-	-	<b>(965)</b>	-	<b>64,379,521</b>	<b>64,378,556</b>
<i>Profit distribution (Note 37):</i>						
Dividends paid to shareholders	-	-	-	-	(43,575,758)	(43,575,758)
Interim dividends paid to shareholders	-	-	-	-	(16,166,765)	(16,166,765)
<b>Balance as of 31 December 2020</b>	<b>491,383,755</b>	<b>49,141,766</b>	<b>(1,641)</b>	<b>97,791,500</b>	<b>48,212,756</b>	<b>686,528,136</b>

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



MTEL A.D. BANJA LUKA

**SEPARATE STATEMENT OF CASH FLOWS**  
**For the Year Ended 31 December 2020**  
**(In BAM)**

	<b>For the year ended as of 31 December 2020</b>	<b>For the year ended as of 31 December 2019</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers and prepayments	413,561,705	398,919,811
Other cash receipts from regular operations	3,361,555	5,066,089
Cash paid to suppliers - purchases of materials, fuel, energy and other expenses	(153,403,658)	(161,811,610)
Cash paid to and on behalf of employees	(70,519,344)	(72,919,185)
Interest paid	(7,660,552)	(5,805,516)
Income taxes paid	(6,173,725)	(6,524,918)
Other taxes and duties paid	(7,470,132)	(5,959,445)
<i>Net cash generated by operating activities</i>	<b>171,695,849</b>	<b>150,965,226</b>
<b>Cash flows from investing activities</b>		
Purchases of property, equipment and intangible assets	(54,618,394)	(52,360,286)
Proceeds from sale of property, equipment and intangible assets	377,432	306,950
Interest received	677,942	1,046,665
Proceeds from long-term financial investments	1,283,565	6,030,728
Inflows/(Outflows) from short-term financial investments	(4,795,728)	52,586,287
Outflows for shares and stakes acquisition	(60,144,398)	(208,150,315)
Inflows from dividends	4,460,000	1,200,000
<i>Net cash used in investing activities</i>	<b>(112,759,581)</b>	<b>(199,339,971)</b>
<b>Cash flows from financing activities</b>		
Inflows from long-term loans	73,155,572	123,144,860
Inflows from short-term loans	16,890,810	20,260,284
Outflows for long-term financial liabilities	(84,777,684)	(50,274,497)
Outflows for short-term loans	(26,239,434)	(7,000,000)
Outflows for lease liabilities	(11,593,383)	(10,301,609)
Outflows for other short-term liabilities	(13,158,979)	(7,538,127)
Dividend and interim dividend payments to the shareholders	(49,651,520)	(48,187,133)
<i>Net cash /(from) financing activities</i>	<b>(95,374,618)</b>	<b>20,103,778</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(36,438,350)</b>	<b>(28,270,967)</b>
Cash and cash equivalents at the beginning of the year	41,497,361	69,768,328
<b>Cash and cash equivalents at the end of the year</b>	<b>5,059,011</b>	<b>41,497,361</b>

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**1. CORPORATE INFORMATION**

The Company Mtel a.d. (hereinafter: the "Company") is domiciled in Banja Luka, in the 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 of 31 December 2020, the Company had stakes in subsidiaries and associates in accordance with the structure below:

<b>SUBSIDIARIES</b>	<b>SHARE</b>	
<i>Logosoft d.o.o. Sarajevo, Bosnia and Herzegovina</i>	100%	Company
<i>Blicnet d.o.o. Banja Luka, Bosnia and Herzegovina</i>	100%	Company
<i>Telrad Net d.o.o. Bijeljina, Bosnia and Herzegovina</i>	100%	Company
<i>Elta-Kabel d.o.o. Dobo, Bosnia and Herzegovina</i>	100%	Company
<i>Financ d.o.o. Banja Luka, Bosnia and Herzegovina</i>	100%	Company

<b>ASSOCIATES</b>	<b>SHARE</b>	
<i>MTEL d.o.o. Podgorica, Montenegro</i>	49%	Company
<i>MTEL Global d.o.o. Belgrade, Republic of Serbia</i>	51%	Telekom Srbija a.d. Belgrade
	41%	Company
	59%	Telekom Srbija a.d. Belgrade

On 3 September 2020, the associate GO4YU d.o.o. Belgrade, pursuant to the Decision of the Business Registers Agency of the Republic of Serbia, Belgrade changed its business name to MTEL Global d.o.o. Belgrade.

As of 31 December 2020, the Company had 2,104 employees (31 December 2019: 2,124 employees).

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

As of 31 December 2020, the Company provided telecommunication services to 1,558,885 users in total (31 December 2019: 1,640,189 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 of 31 December 2020 is Mr. Marko Lopičić.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**1. 1.CORPORATE INFORMATION (Continued)**

The members of the Management Board as of 31 December 2020 were as follows:

Mr. Predrag Ćulibrk  
Ms. Danijela Maletić  
Mr. Dejan Carević  
Mr. Slavko Mitrović  
Mr. Draško Marković  
Mr. Branko Malović  
Mr. Nenad Tomović

The members of the Executive Board as of 31 December 2020 were as follows:

Mr. Marko Lopičić  
Ms Jasmina Lopičić  
Ms. Radmila Bojanić  
Mr. Miodrag Vojinović  
Mr. Vladimir Četrović  
Mr. Nikola Rudović

**2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION****2.1. Statement of Compliance**

The accompanying financial statements represent separate financial statements of the Company prepared in accordance with the International Financial Reporting Standards (IFRS).

**2.2. Basis of Measurement**

The separate financial statements of the Company have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, available-for-sale financial assets, 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 Company 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.

The Company's separate financial statements have been prepared under the going concern concept, which implies that the Company will continue its operations for the foreseeable future. The Company makes efforts to maintain and improve its market position through converged and multimedia services, ICT services, devices and equipment, network modernization, as well as the acquisition of other operators.

The company operates continuously with net profit, closely monitors liquidity, maturity of liabilities and collection of receivables. The Company generates cash inflows from operating activities, and has external sources of financing at its disposal. The Company's management believes that funds from external sources of financing together with the expected inflows from business activities and dividends from subsidiaries will be sufficient for the Company to meet its contractual obligations in 2021.

As disclosed in Notes 1 and 16 to the separate financial statements, the Company "Mtel" a.d. Banja Luka has an interest in the associate "Mtel" d.o.o. Podgorica (Montenegro), in which it holds a 49% equity interest, and an interest in the company *MTEL Global d.o.o.* Belgrade, (Republic of Serbia) in which it holds 41% equity interest, over which the Company has significant influence and the power to participate in the financial and operating policies and decisions of the associates but this power is not control or joint control over those policies and decisions.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**2. BASIS OF PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)**
**2.2. Basis of Measurement (Continued)**

On 3 September 2020, the associate GO4YU d.o.o. Belgrade, pursuant to the Decision of the Business Registers Agency of the Republic of Serbia, changed its business name to MTEL Global d.o.o. Belgrade.

In these separate financial statements investments in the associate are stated at cost less impairment, if any. In accordance with International Financial Reporting Standard (IFRS) 10, "Consolidated Financial Statements", the Company has prepared and issued its consolidated financial statements for the year ended 31 December 2019, prepared in accordance with the International Financial Reporting Standards, where the investment in the associate was accounted for using the equity method.

**2.3. Functional and Presentation Currency**

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

**2.4. Application and Impact of the New and Revised IAS/IFRS**

The following amendments to the existing standards 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:

	<b>Effective on or after</b>
<b><i>New standards and/or amendments to the existing standards effective over the current financial period</i></b>	
IFRS 3 "Business Combinations" - Definition of Business	1 January 2020.
IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Materiality	1 January 2020.
Conceptual Framework in IFRS Standards	1 January 2020.
IFRS 9, IAS 39 and IFRS 7- "Interest Rate Benchmark Reform" – Phase 1	1 January 2020.
IFRS 16 "Leases" – Covid-19-Related Rent Concessions	1 June 2020

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

	<b>Effective on or after</b>
<b><i>New standards and/or amendments to the existing standards in issue but not yet effective</i></b>	
IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-current	1 January 2022.
IFRS 3 "Business Combinations" – updating a Reference to the Conceptual Framework	1 January 2022.
to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use	1 January 2022.
IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022.
Annual improvements to IFRS Standards "2018-2020 Cycle" – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022.
IFRS 17 "Insurance Contracts"	1 January 2023.

The Company's Management chose not to adopt these standards, amendments and interpretations prior to their effective date.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1. Revenues***Revenue Recognition*

The Company 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 Company expects to realize under the prevailing market conditions.

The Company 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 Company 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 Company 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 performed.

As regards contracts falling within the scope of IFRS 15, revenues are recognized based on the sales invoiced. The Company 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 Company invoiced a certain amount for the particular service rendered. Sales income mainly includes charges to customers for calls from the fixed line and mobile networks, monthly subscription fees charged for providing access services, sale of combined service, interconnections, Internet, integrated services and other similar services.

**3.1.1. Income from Fixed-Line Telephony**

The Company recognizes usage (fixed-line telephony) revenue based upon traffic processed. The telecommunication subscription to fixed-line telephony is invoiced on a monthly basis, one month in arrears.

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

**3.1.2. 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. Interconnection income and expenses are stated in gross amounts.

**3.1.3. Income from Mobile Telephony**

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

Revenue from the telephony traffic is recognized on the basis of traffic. Uninvoiced income earned on mobile telephony 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.1. Revenues (Continued)**

*3.1.4. Income from the Sale of Combined Services*

Income earned on the sale of hardware is presented within item Income from the sale of combined services and is stated 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 Company expects to realize under the prevailing market conditions.

*3.1.5. Income and Expenses from International Settlements and Roaming*

Income and expenses from the services of the public fixed 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 Company has entered into various agreements on international traffic in fixed-line and mobile telephony. The respective income/(expenses) and receivables/(payables) arising from these agreements are presented in the accompanying financial statements and are associated with the income generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculations with the Company. 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 Company recognizes income (receivables) only when it can be measured with reasonable certainty. Where evidence exists that an expense (payables) 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 realized throughout the period.

*3.1.6. Internet Income*

Internet income comprises income from services of direct access to the Internet provided over the fixed telephony network 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.

*3.1.7. Integrated Services*

Income from the integrated services refers to the income from integrated services of fixed telephony, mobile telephony, Internet access and IPTV services organized in appropriate sets of services, i.e., packages, which may yet need not include all of the aforesaid services.

*3.1.8. Other Income from Telecommunication Services*

Other income primarily includes the lease of telephony capacities, telephone lines, call listings, voicemail and other services. Such income is recognized and recorded in the accounting period in which it occurs.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.2. Leases***The Company 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 Company 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, 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 Company 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 Company 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 Company 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.

**3.3. Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to BAM at the foreign exchange rate prevailing on 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 of 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. The 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*).

**3.4. Corporate Income Taxes**

Income taxes comprise current and deferred taxes. Current and deferred taxes are recognized in the statement of profit and loss and comprehensive income except for those related to a business combination or items recognized directly in equity or in other comprehensive income.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.4. Corporate Income Taxes (Continued)**

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 statement of financial position.

The currently enacted tax rates or the subsequently enacted rates at the statement of financial position date 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 income 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:

	<b>Tax statement rates (%)</b>
<b><i>Individual calculation of depreciation/amortization charge – straight-line method</i></b>	
Property and plant	3%
Intangible assets other than software	10%
<b><i>Group calculation of depreciation/amortization charge – degression method</i></b>	
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 is accelerated, and as a deferred tax asset when the tax depreciation is slower than the accounting depreciation / amortization.

**3.5. Intangible Assets**

Intangible assets include telecommunication licenses, software, 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, 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".

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.5. Intangible Assets (Continued)**

Capitalised contract expenses are related to assets arising from performance costs or contract award, which are capitalised and recognised in line with IFRS 15 during the average customer contract validity period.

**3.6. 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, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and/or rebates received are deducted in arriving at the purchase price. Cost of the constructed property and equipment represents cost thereof as of 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.

**3.7. Depreciation and Amortization**

The 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 depreciation/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 Company to the Company's Management Board for approval. In December 2020, the Management Board of the Company adopted changes to the depreciation rates for certain categories of property, equipment and intangible assets, which apply from 1 January 2020.

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

The estimated useful lives of particular classes of property and equipment, as well as intangible assets used in the calculation of depreciation and amortization, and prescribed depreciation and amortization rates applied as of 31 December 2020 are as follows:

	<b>Estimated Useful Life (in Years)</b>
GSM /UMTS/LTE licenses	15
Licenses and application software	5
Buildings	8 - 55.5
Antenna masts	30
Distribution network and channelling	25 - 75.2
Switching systems and service platforms	3 - 11
Transmission network	4 - 20
Wireless access network	5 - 15
Equipment within the access network and terminal equipment	4 - 11
Computers and computer equipment	4 - 5
Office furniture and other equipment	5 - 8

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.8. Non-Current Assets Available for Sale**

Non-current assets 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 of an asset (or a disposal group) 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.

**3.9. Impairment of Non-Financial Assets**

At each statement of financial position date, the Company's management reviews the carrying amounts of the Company'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 Company 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 is 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 under operating expenses.

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.

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 immediately recognized as income.

As of 31 December 2020, in the management's opinion, there were no indications that the value of the Company's intangible assets, property and equipment had suffered impairment.

**3.10. Investments in Subsidiaries**

Investments in subsidiaries are carried at cost, net of impairment losses, if any.

Under IFRS 10 *Consolidated Financial Statements* control over 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
- 3) the ability to use its power over the investee to affect the amount of returns.

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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.10. Investments in Subsidiaries (Continued)**

When the Company has less than half 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.

**3.11. Investments in Associates**

An associate is an entity over which the Company has significant influence that is neither a subsidiary nor an interest in a joint venture. 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.

Investments in associates in these separate financial statements are measured at purchase value, net of any impairment.

**3.12. Financial Instruments**

The classification of financial instruments depends on their nature and purpose and is determined at the time of initial recognition, entailing:

- 1) financial assets,
- 2) financial liabilities and
- 3) equity instruments.

*Financial Assets*

Financial assets are recognized at the moment when the Company 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.12. Financial Instruments (Continued)**

*Financial Assets (Continued)*

Upon calculation of the impairment allowance of its financial assets, the Company 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 Company assesses loans and receivables for impairment grouped per different customer characteristics and historical loss trends.

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 a 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 Company 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 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 Company has become a party to the contractual provisions of a particular financial instrument. The financial liabilities are initially measured at cost, being the fair value of the consideration given or received.

Transaction costs are included in the initial measurement of all financial liabilities other than financial liabilities at 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 other than financial liabilities held for trading through profit or loss.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.13. 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.

**3.14. Provisions**

Provisions are recognized and calculated when the Company has a pending present legal or contractual obligation as a result of a past event, and when it is probable that an outflow of resources 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 Company, determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the true value of money and the risks specific to the liability.

**3.15. Employee Benefits****a) *Employee Taxes and Contributions for Social Security***

In accordance with local regulations and its adopted accounting policies, the Company 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 Company 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 Company 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 Company 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 Company.

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.

**3.16. Segment Reporting**

The Company applies IFRS 8 "Operating Segments", which requires the identification of operating segments based on internal reports about components of the Company 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 Company (*Note 40*).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**4. SIGNIFICANT ACCOUNTING ESTIMATES**

The presentation of the separate financial statements requires the Company's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, the disclosure of contingent receivables and liabilities as of the date of preparation of the separate 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 of the date of preparation of the separate 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 of the separate 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. 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 depreciation/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 Board for approval.

Due to the significance of non-current assets in the Company's total assets, any change in the aforesaid assumptions may lead to material effects on the Company's financial position, as well as on its financial performance. For example, if the Company were to shorten and/or extend the average useful life of assets by 10%, this would have resulted in the year ended as of 31 December 2019 in an additional (lower) cost of depreciation by BAM 10,645,893 (comparative figure in 2019: BAM 11,489,295).

*Impairment of Trade Receivables*

Upon calculation of impairment allowance, the Company 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 Company assesses receivables for impairment grouped based on certain customer characteristics and historical loss trends (*Notes 20, 21, and 22*).

*Provisions*

Provisions in general are highly judgmental. The Company assesses the probability of an adverse event as a result of a past event and if the probability is evaluated to higher than 50%, the Company fully provides for the total amount of the liability. The Company 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*).

*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 financial statements and are associated with the income generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculation.

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 24 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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**4. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)**
*Fair Value*

It is the policy of the Company 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 book 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	
	31 December	
	2020	2019
<b>Domestic Sales:</b>		
Fixed-Line Telephony	52,248,273	53,774,994
Mobile Telephony	183,385,272	191,091,756
Integrated services	80,903,385	72,757,759
Internet services	21,800,876	21,139,910
Income from combined services	38,923,849	38,792,307
Sales of goods	2,053,452	780,875
ICT and other services	12,049,745	6,442,046
<b>Total domestic sales</b>	<b>391,364,852</b>	<b>384,779,647</b>
<b>International market sales</b>	<b>22,819,124</b>	<b>29,491,861</b>
<b>Total sales of goods and services</b>	<b>414,183,976</b>	<b>414,271,508</b>

Foreign sales income mostly relates to income generated in the Republic of Serbia.

**6. OTHER OPERATING INCOME**

	In BAM	
	31 December	
	2020	2019
Rental income	2,596,766	2,394,930
Reversal of deferred income - grants (Note 29)	12,367	12,367
Other income	4,146,032	6,672,142
	<b>6,755,165</b>	<b>9,079,439</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**7. COST OF MATERIALS, MERCHANDISE AND COMBINED SERVICE**

	<b>In BAM</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
Materials for combined services	48,448,517	48,391,967
Cost of commercial goods sold	2,002,055	740,260
Electricity	6,019,717	5,609,898
Fuel and lubricants	972,336	1,318,533
Other costs of materials	2,438,542	2,247,124
	<b>59,881,167</b>	<b>58,307,782</b>

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

**8. STAFF COSTS**

	<b>In BAM</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
Gross salaries	60,304,850	60,703,306
Remunerations to Management Board and Audit Committee	293,011	274,482
Termination benefits	1,051,226	814,826
Other staff costs	8,870,278	10,237,119
	<b>70,519,365</b>	<b>72,029,733</b>

**9. COST OF PRODUCTION SERVICES**

	<b>In BAM</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
International settlements	20,372,438	25,931,176
Maintenance	18,315,906	18,446,698
Lease of land and business premises	618,605	1,077,705
Marketing and advertising	12,096,829	11,379,940
Broadcasting fees	13,593,936	11,316,628
Other production services	17,465,946	17,792,797
	<b>82,463,660</b>	<b>85,944,944</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**10. OTHER OPERATING EXPENSES**

	In BAM	
	31 December	
	2020	2019
Indirect taxes and contributions	4,004,012	4,112,034
Communications Regulatory Agency fee	10,433,034	9,720,470
Losses on disposal of property, equipment and intangible assets	820,285	682,418
Shortages	10,590	64,120
Provisioning charge	2,202,486	582,151
Other expenses	9,678,313	10,789,017
	<b>27,148,720</b>	<b>25,950,210</b>

Other expenses mostly relate to other non-productive services, administrative fees and fees for the work of student and youth cooperatives. Provisioning charges, in the amount of BAM 1,765,304, refer to provisions based on the Decision for payment of the determined tax liability issued by the Tax Administration of the Republic of Srpska. The largest portion of the determined amount refers to the non-recognition of expenses related to the unwritten-off value of property destroyed in the 2014 floods. Based on the appeal filed by the Company against the entire amount determined by the Decision, the Ministry of Finance of the Republic of Srpska remanded the case to the first instance body for retrial, which, until the date of issuance of these unconsolidated financial statements, has not been completed.

**11. FINANCE INCOME AND EXPENSES**

	In BAM	
	31 December	
	2020	2019
Interest income:		
- interest on deposits	43,475	320,706
- other interest income	672,908	565,768
	716,383	886,474
Dividend	6,500,000	8,000,000
Foreign exchange gains	5,995	1,452
Other finance income	453,867	175,492
<b>Total finance income</b>	7,676,245	9,063,418
Interest expenses		
- arising from loan agreements	(6,463,509)	(4,740,739)
- arising from lease liabilities	(1,150,670)	(1,188,864)
- other interest expenses	(18,528)	(34,017)
	(7,632,707)	(5,963,620)
Foreign exchange losses	(237,240)	(344,230)
<b>Total finance expenses</b>	(7,869,947)	(6,307,850)
<b>Finance income, net</b>	<b>(193,702)</b>	<b>2,755,568</b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020

## 12. INTANGIBLE ASSETS

	In BAM					
	31 December 2020 and 31 December 2019					
	Licences for the use of radio frequency spectrum	Other Licenses	Other intangible assets	Contract Costs Capitalized	Investments in Progress	Total intangible assets
<b>Cost</b>						
Balance as of 1 January 2019	140,478,533	10,678,200	72,364,982	4,749,388	22,760,123	251,031,226
Additions	16,709,944	107,460	36,329,932	2,015,420	3,260,124	58,422,880
Activations and transfers	-	129,448	2,569,308	-	(2,698,756)	-
Transfers from property and equipment	-	-	-	-	(1,103,407)	(1,103,407)
Disposals	-	(22,344)	(225,727)	-	-	(248,071)
Other	-	-	-	(1,116,690)	-	(1,116,690)
<b>Balance as of 31 December 2019</b>	<b>157,188,477</b>	<b>10,892,764</b>	<b>111,038,495</b>	<b>5,648,118</b>	<b>22,218,084</b>	<b>306,985,938</b>
Balance as of 1 January 2020	157,188,477	10,892,764	111,038,495	5,648,118	22,218,084	306,985,938
Additions during the period	-	-	29,690,456	3,631,925	3,749,999	37,072,380
Activations and transfers	-	318,363	3,296,599	-	(3,614,962)	-
Transfers to property and equipment	-	-	-	-	(791,622)	(791,622)
Disposals	-	(146)	(18,707)	-	-	(18,853)
Other	-	-	(7,497,544)	(3,624,601)	-	(11,122,145)
<b>Balance as of 31 December 2020</b>	<b>157,188,477</b>	<b>11,210,981</b>	<b>136,509,299</b>	<b>5,655,442</b>	<b>21,561,499</b>	<b>332,125,698</b>
<b>Accumulated amortisation</b>						
Balance as of 1 January 2019	126,033,987	8,232,394	58,220,774	1,463,477	-	193,950,632
Amortisation for the year	4,370,309	938,293	15,604,907	2,722,088	-	23,635,597
Disposals	-	(19,225)	(214,470)	-	-	(233,695)
Other	-	-	-	(1,116,962)	-	(1,116,962)
<b>Balance as of 31 December 2019</b>	<b>130,404,296</b>	<b>9,151,462</b>	<b>73,611,211</b>	<b>3,068,603</b>	<b>-</b>	<b>216,235,572</b>
Balance as of 1 January 2020	130,404,296	9,151,462	73,611,211	3,068,603	-	216,235,572
Charge for the year	1,870,543	929,550	19,661,446	2,726,278	-	25,187,817
Disposals	-	(146)	(18,707)	-	-	(18,853)
Other	-	-	(3,910,104)	(3,624,601)	-	(7,534,705)
<b>Balance as of 31 December 2020</b>	<b>132,274,839</b>	<b>10,080,866</b>	<b>89,343,846</b>	<b>2,170,280</b>	<b>-</b>	<b>233,869,831</b>
<b>Net Book Value</b>						
<b>31 December 2020</b>	<b>24,913,638</b>	<b>1,130,115</b>	<b>47,165,453</b>	<b>3,485,162</b>	<b>21,561,499</b>	<b>98,255,867</b>
<b>31 December 2019</b>	<b>26,784,181</b>	<b>1,741,302</b>	<b>37,427,284</b>	<b>2,579,515</b>	<b>22,218,084</b>	<b>90,750,366</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**12. INTANGIBLE ASSETS (Continued)**

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 consist of the software in use in the net amount of BAM 10,815,559 and capitalized TV broadcasting rights in the net amount of BAM 34,999,879.

Capitalized contract costs pertain to the assets arising from the costs of implementing or obtaining contracts, which are capitalized under IFRS 15 and recognized over the average customer contract term. Capitalized contract costs are amortized on a straight-line basis over the duration of a particular subscriber contract (generally, up to two years) which is the period in which contractually agreed services are rendered to the customer. For the year ended 31 December 2019, amortization charge incurred in this respect amounted to BAM 2,726,278. No impairment losses were identified in these assets.

Investments in progress predominantly refer to the software in progress.

**13. RIGHT OF USE ASSETS**

	<b>In BAM</b>
	<b>31 December 2020 and 2019</b>
	<b>Land and buildings</b>
<b>Balance as of 1 January 2019</b>	53,220,635
Additions	9,684,446
Depreciation/amortisation	(11,262,512)
Modification of the lease period	678,592
<b>Balance as of 31 December 2019</b>	<b>52,321,161</b>
Balance as of 1 January 2020	52,321,161
Additions	7,500,263
Depreciation/amortisation	(12,031,158)
Modification of the lease period	(59,659)
<b>Balance as of 31 December 2020</b>	<b>47,730,607</b>

As part of its regular business activities, the Company leases various lease items, the most important of which are: commercial premises for retail outlets, land and facilities for accommodation of telecommunication equipment. In assessing lease obligations, the Company 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 Company has no significant lease agreements that have specific limitations or contractual obligations.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**14. PROPERTY AND EQUIPMENT**

	In BAM					
	31 December 2020 and 31 December 2019					
						Total
	Land	Property and infrastructure	Leasehold Improvements	Equipment	Investments in Progress	Property and Equipment
<b>Cost</b>						
Balance as of 1 January 2019	1,734,580	771,115,221	3,088,776	729,696,783	81,628,688	1,587,264,048
Additions	-	5,576,833	71,157	3,080,449	79,628,663	88,357,102
Activations and transfers	1,560	44,723,478	266,682	43,589,551	(88,581,271)	-
Transfer from intangible assets	-	-	-	-	1,103,407	1,103,407
Disposals	-	(417,511)	(87,121)	(79,401,076)	(114,569)	(80,020,277)
Shortages	-	-	-	(10,563)	(1,306)	(11,869)
Surpluses	-	171,930	-	-	397	172,327
Dismantlement of equipment	-	-	-	(608,479)	45,706	(562,773)
Sales	-	-	-	(22,086)	-	(22,086)
Transfer to assets held for sale	-	(19,300)	-	(303,774)	(215,669)	(538,743)
Donated equipment	-	-	-	(30,125)	-	(30,125)
Other	-	-	-	(8,227)	(1,681)	(9,908)
<b>Balance as of 31 December 2019</b>	<b>1,736,140</b>	<b>821,150,651</b>	<b>3,339,494</b>	<b>695,982,453</b>	<b>73,492,365</b>	<b>1,595,701,103</b>
Balance as of 1 January 2020	1,736,140	821,150,651	3,339,494	695,982,453	73,492,365	1,595,701,103
Additions	-	1,585,076	109,261	2,418,448	66,452,403	70,565,188
Activations and transfers	16,360	18,581,701	362,100	35,662,711	(54,622,872)	-
Transfer from intangible assets	-	-	-	-	791,622	791,622
Disposals	-	(2,998,855)	-	(40,392,395)	(462,990)	(43,854,240)
Shortages	-	-	-	-	(7,150)	(7,150)
Dismantlement of equipment	-	-	-	(401,554)	(51,678)	(453,232)
Sales	-	(11,437)	-	-	-	(11,437)
Transfer to assets held for sale	-	-	-	(251,977)	(216,989)	(468,966)
Other	-	-	-	(1,454)	-	(1,454)
<b>Balance as of 31 December 2020</b>	<b>1,752,500</b>	<b>838,307,136</b>	<b>3,810,855</b>	<b>693,016,232</b>	<b>85,374,711</b>	<b>1,622,261,434</b>
<b>Accumulated depreciation</b>						
Balance as of 1 January 2019	-	514,513,496	2,172,626	517,259,682	-	1,033,945,804
Charge for the year	-	19,972,213	354,081	59,668,547	-	79,994,841
Disposals	-	(338,421)	(62,023)	(78,951,791)	-	(79,352,235)
Shortages	-	-	-	(7,923)	-	(7,923)
Surpluses	-	171,930	-	-	-	171,930
Dismantlement of equipment	-	-	-	(562,773)	-	(562,773)
Sales	-	-	-	(14,577)	-	(14,577)
Transfer to assets held for sale	-	(6,392)	-	(298,357)	-	(304,749)
Donated equipment	-	-	-	(30,125)	-	(30,125)
Other	-	(7,224)	-	2,041	-	(5,183)
<b>Balance as of 31 December 2019</b>	<b>-</b>	<b>534,305,602</b>	<b>2,464,684</b>	<b>497,064,724</b>	<b>-</b>	<b>1,033,835,010</b>
Balance as of 1 January 2020	-	534,305,602	2,464,684	497,064,724	-	1,033,835,010
Charge for the year	-	14,139,345	361,503	54,739,106	-	69,239,954
Disposals	-	(2,988,861)	-	(40,045,094)	-	(43,033,955)
Dismantlement of equipment	-	-	-	(453,232)	-	(453,232)
Sales	-	(189)	-	-	-	(189)
Transfer to assets held for sale	-	-	-	(251,977)	-	(251,977)
Other	-	-	-	(1,057)	-	(1,057)
<b>Balance as of 31 December 2020</b>	<b>-</b>	<b>545,455,897</b>	<b>2,826,187</b>	<b>511,052,470</b>	<b>-</b>	<b>1,059,334,554</b>
<b>Net book value</b>						
<b>31 December 2020</b>	<b>1,752,500</b>	<b>292,851,239</b>	<b>984,668</b>	<b>181,963,762</b>	<b>85,374,711</b>	<b>562,926,880</b>
<b>31 December 2019</b>	<b>1,736,140</b>	<b>286,845,049</b>	<b>874,810</b>	<b>198,917,729</b>	<b>73,492,365</b>	<b>561,866,093</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**

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**14. PROPERTY AND EQUIPMENT (Continued)**

As at 31 December 2020, investments in progress mainly related to the purchased telecommunication equipment not yet placed into use. As at 31 December 2020 there were no encumbrances on and restrictions to the Company's titles and ownership rights over property and equipment. Contractually agreed but not yet realized liabilities of the Company for capital expenditures totalled BAM 45,091,278 (31 December 2019: BAM 42,556,867).

**15. EQUITY INVESTMENTS IN THE SUBSIDIARIES**

Equity investments in subsidiaries in the total amount of BAM 234,438,735 are related to subsidiaries: *Logosoft d.o.o. Sarajevo, Bosnia and Herzegovina; Blicnet d.o.o. Banja Luka, Bosnia and Herzegovina, Telrad Net d.o.o. Bijeljina, Bosnia and Herzegovina u Elta-Kabel d.o.o. Doboj, Bosnia and Herzegovina and Financ d.o.o. Banja Luka.*

***Logosoft d.o.o. Sarajevo, Bosnia and Herzegovina***

In 2014, the Company acquired a 65% of equity interest in Logosoft d.o.o. Sarajevo. In 2017 the Company purchased the remaining equity interest of 35% and thus became the owner of 100% of the interest.

Subsidiary Logosoft d.o.o. Sarajevo was founded in 1995 as a company for information engineering. The first activities of the subsidiary were in the field of ICT system integration, while two years after its establishment it became the first Internet service provider in Bosnia and Herzegovina. Today, the subsidiary provides Internet access, telephony and television services, sales of computer equipment, as well as services in the field of system integration, education and consulting in the field of information technology.

***Blicnet d.o.o. Banja Luka, Bosnia and Herzegovina***

The Company is the owner with a 100% stake in Blicnet d.o.o. Banja Luka.

Subsidiary Blicnet d.o.o. Banja Luka was founded in 1992. Blicnet d.o.o. Banja Luka is one of the largest cable operators in Bosnia and Herzegovina that provides cable television, internet, fixed and mobile network services, as well as system integration services.

***Telrad Net d.o.o. Bijeljina, Bosnia and Herzegovina***

The Company is the owner with a 100% stake in Telrad Net d.o.o. Bijeljina.

Subsidiary Telrad Net d.o.o. Bijeljina was founded in 2010. The company provides services of public fixed network, VoIP and IP telephony, cable television, internet and mobile network.

***Elta-Kabel d.o.o., Doboj, Bosnia and Herzegovina***

The Company is the owner with a 100% stake in Elta-Kabel d.o.o. Doboj.

Subsidiary Elta-Kabel d.o.o. Doboj was founded in 2001. Elta-Kabel d.o.o. Doboj is one of the largest cable operators in Bosnia and Herzegovina that provides cable television, internet and fixed network services.

***Financ d.o.o. Banja Luka, Bosnia and Herzegovina***

On 18 February 2020, the contract on purchase and transfer of shares in the company Financ d.o.o. was realized. Banja Luka, in such a way that 100% of the share in Financ d.o.o. Banja Luka transferred to the Company.

The Decision by which the Company is registered as the owner of a 100% stake in Financ d.o.o. Banja Luka, issued by the District Commercial Court in Banja Luka, became final on 29 February 2020.

Subsidiary Financ d.o.o. Banja Luka was founded in 2002 and provides mediation services in the sale of e-top-ups and scratch voucher numbers, USB modems as well as concluding user agreements with potential users of Mtel services. In addition to the above, the subsidiary also provides processing services.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**16. EQUITY INVESTMENTS IN THE ASSOCIATES**

Equity investments in associates amounting to BAM 161,764,419 relate to the cost of equity investments in the companies MTEL d.o.o. Podgorica and *MTEL Global* d.o.o. Belgrade.

On 3 September 2020, the associate GO4YU d.o.o. Belgrade, based on the Decision of the Business Registers Agency of the Republic of Serbia, Belgrade changed its business name to MTEL Global d.o.o. Belgrade.

As of 31 December 2020, the Company has a 49% stake in MTEL d.o.o. Podgorica, Montenegro, and 41% stake in MTEL Global d.o.o. Belgrade, Republic of Serbia, and is engaged in the provision of telecommunications services.

The total investment in MTEL d.o.o. Podgorica, after the initially agreed amount for the purchase of 49% of shares paid on 1 February 2010, capital increases and further investments, as well as other costs directly related to the above said transaction, and non-monetary contribution made, amounted to BAM 132,065,141.

During 2019, the Company introduced an in-kind contribution to the company MTEL Global d.o.o. Belgrade, Serbia, (under the then name GO4YU d.o.o. Belgrade) in the form of the right to a 100% stake in Mtel Austria GmbH, became the owner of a 41% stake in MTEL Global d.o.o. Belgrade, Serbia (under the then name GO4YU d.o.o. Belgrade). During this reporting period, the Company also recapitalized in the amount of BAM 12,028,355, which did not violate the previously determined ownership structure.

**17. OTHER INVESTMENTS**

	Share	In BAM	
		31 December 2020	31 December 2019
<i>Financial assets measured at fair value through OCI:</i>			
- Nova banka a.d. Banja Luka	0.02%	5,359	6,324
		5,359	6,324
<i>Financial assets measured at amortized cost:</i>			
- Long-term bonds issued by the Republic of Srpska		23,309	34,140
- Centre for International Law and International Business Cooperation Ltd. Banja Luka	22.97%	400	400
		23,709	34,540
		<b>29,068</b>	<b>40,864</b>

Shares of Nova banka a.d., Banja Luka (comprising 0.02% of the Bank's share capital) are listed in an active but insufficiently developed financial market of the Republic of Srpska and measured at fair value as of the statement of financial position date, where the changes in fair values were stated as gains/(losses) within the statement of other comprehensive income. 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.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
 For the Year Ended 31 December 2020

## 18. LONG-TERM LOANS AND RECEIVABLES

	In BAM	
	31 December 2020	31 December 2019
<i>Long-term loans to employees</i>	71,113	84,900
<i>Less: Current portion of long-term loans due within one year (Note 23)</i>	(70,157)	(78,436)
<i>Total non-current portion of long-term loans to employees</i>	956	6,464
<i>Other long-term deposits and investments</i>	265,966	-
<i>Current portion of long-term loans due within one year (Note 23)</i>	(34,318)	-
	231,648	
<i>Long-term loans to related parties</i>	740,000	1,978,928
<i>Less: Current portion of long-term loans due within one year (Note 23)</i>	(740,000)	(530,000)
	-	1,448,928
<b>Total long-term receivables and loans</b>	<b>232,604</b>	<b>1,455,392</b>
<i>Less: Impairment allowance:</i>		
- impairment allowance of long-term loans to employees	(3,753)	-
- impairment allowance of long-term loans	(21,196)	(4,740)
	<b>207,655</b>	<b>1,450,652</b>

## 19. INVENTORIES

	In BAM	
	31 December 2020	31 December 2019
Materials	3,609,127	3,855,453
Goods	169,379	161,610
Materials for combined services	12,027,845	11,771,563
Advances paid to suppliers	1,422,228	479,570
	<b>17,228,579</b>	<b>16,268,196</b>

## 20. TRADE RECEIVABLES

	In BAM	
	31 December 2020	31 December 2019
<i>Trade receivables:</i>		
- related parties (Note 36 (a))	13,294,330	11,519,842
- domestic	117,290,895	113,513,494
- foreign	535,444	2,124,512
<b>Gross trade receivables</b>	<b>131,120,669</b>	<b>127,157,848</b>
<i>Less: Impairment allowance of trade receivables for expected credit losses</i>	(58,043,785)	(56,327,706)
	<b>73,076,884</b>	<b>70,830,142</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**20. TRADE RECEIVABLES (Continued)**

The Company's total gross trade receivables as of 31 December 2020 amounted to BAM 131,120,669. The Company used a simplified approach in recognition of the lifetime expected credit 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 allowance for impairment thereof as of 31 December 2020 amounted to BAM 58,043,785 representing 44.27% of the total gross value of trade receivables. The movements in the allowance for impairment of receivables are shown in Note 22 to the separate financial statements.

**21. OTHER RECEIVABLES**

	In BAM	
	31 December 2020	31 December 2019
Dividend receivable	8,840,000	6,800,000
Other receivables	1,117,468	2,002,073
	9,957,468	8,802,073
<i>Less: Impairment allowance of other receivables</i>	(487,466)	(684,177)
	<b>9,470,002</b>	<b>8,117,896</b>

**22. IMPAIRMENT ALLOWANCE OF CURRENT RECEIVABLES**

	In BAM		
	Period 1 January to 31 December 2020 and FY 2019		
	Trade Receivables (Note 20)	Other Receivables (Note 21)	Total
<i>Balance, 1 January 2019</i>	56,490,222	594,797	57,085,019
Charge for the year	1,398,961	153,188	1,552,149
Write-off of receivables	(1,561,477)	(63,808)	(1,625,285)
<b><i>Balance, 31 December 2019</i></b>	<b>56,327,706</b>	<b>684,177</b>	<b>57,011,883</b>
<i>Balance, 1 January 2020</i>	56,327,706	684,177	57,011,883
Charge for the year	2,776,689	89,274	2,865,963
Write-off of receivables	(1,346,595)	-	(1,346,595)
Other	285,985	(285,985)	-
<b><i>Balance, 31 December 2020</i></b>	<b>58,043,785</b>	<b>487,466</b>	<b>58,531,251</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**23. DEPOSITS AND LOAN RECEIVABLES**

	In BAM	
	31 December 2020	31 December 2019
Short-term deposits	9,939,561	5,143,833
Current portion of long-term loans to employees (Note 18)	70,157	78,436
Loans to related parties due within one year (Note 18)	740,000	530,000
Other loans due within one year (Note 18)	34,318	-
Short-term loans to related parties	977,916	4,889,575
	<b>11,761,952</b>	<b>10,641,844</b>

**24. PREPAYMENTS**

	In BAM	
	31 December 2020	31 December 2019
Accrued receivables	1,594,531	3,978,127
Contractual assets	11,588,248	13,309,107
Prepaid expenses	683,652	810,922
Deferred input and output advance invoices for the purpose of VAT accrual	3,556,397	1,907,844
	<b>17,422,828</b>	<b>20,006,000</b>

Accrued receivables mostly, in the amount of BAM 1,040,307 relate to the estimates of the international traffic and roaming made in accordance with the internal calculation of the traffic realized and calculation received from the clearing house, while BAM 338,784 pertains to the accrued receivables per the estimated roaming discounts to be received based on the international traffic agreed with other operators.

Contractual assets represent the Company's entitlement to considerations in exchange for goods or services the Company transferred to the customers, when the entitlement is dependent on factors other than the passage of time (e.g. delivery of other elements of the contract). The Company 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.

**25. CASH AND CASH EQUIVALENTS**

	In BAM	
	31 December 2020	31 December 2019
Gyro accounts	2,654,611	38,473,328
Foreign currency accounts	2,293,488	2,912,577
Cash on hand	10,912	11,456
Cash equivalents	100,000	100,000
	<b>5,059,011</b>	<b>41,497,361</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**26. 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 of 31 December 2020 and 31 December 2019 was as follows:

	<b>31 December 2020</b>	<b>In %</b>	<b>31 December 2019</b>	<b>In %</b>
Telekom Srbija a.d. Belgrade, Serbia	319,428,193	65.01	319,428,193	65.01
RS Pension and Disability Insurance Fund, Banja Luka	43,840,269	8.92	43,840,269	8.92
RS Restitution Fund, Banja Luka	24,715,439	5.03	24,715,439	5.03
Duif Kristal invest a.d. – OMIF Future fund	12,861,604	2.62	12,861,604	2.62
Other shareholders	90,538,250	18.42	90,538,250	18.42
	<b>491,383,755</b>	<b>100</b>	<b>491,383,755</b>	<b>100</b>

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 par 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 (active but insufficiently developed financial market). The market value of one share as of 31 December 2019 amounts to BAM 0.99 (31 December 2019: BAM 0.95). Earnings and dividend per share are disclosed in *Note 37* to the separate financial statements.

*Legal Reserves*

Legal reserves as of 31 December 2020 amounting to BAM 49,141,766 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 core capital or the legally defined greater portion of the core capital.

Legal reserves are used for loss absorption and if they exceed 10% of the core capital or the legally defined greater portion thereof, they may be utilized to increase the registered capital.

*Other Reserves - Reserves Arising on the Investment Commitment*

Other reserves as of 31 December 2020 amounting 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**27. INTEREST-BEARING BORROWINGS, LONG-TERM LIABILITIES AND CURRENT PORTION OF LONG-TERM BORROWINGS**

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
a) Long-term borrowings:		
- cash loans	266,640,282	251,908,443
- borrowings for purchases of equipment	55,980,997	59,691,237
	<b>322,621,279</b>	<b>311,599,680</b>
b) Other long-term liabilities	10,054,397	13,261,829
<b>Total long-term liabilities</b>	<b>332,675,676</b>	<b>324,861,509</b>
<i>Less: Current portions of:</i>		
- long-term borrowings	(91,905,608)	(68,570,741)
- other long-term liabilities	(3,278,803)	(3,207,432)
<b>Total current portion of long-term liabilities</b>	<b>(95,184,411)</b>	<b>(71,778,173)</b>
	<b>237,491,265</b>	<b>253,083,336</b>
c) Short-term loans:		
- Cash loans	<b>3,911,660</b>	<b>13,260,284</b>

The average interest rate accrued on long-term borrowings (loans for purchase of equipment) equals six-month EURIBOR as increased by the margin ranging from 0.5% to 1% annually (2019: six-month EURIBOR as increased by the margin ranging from 0.5% to 1% annually). The interest rate applied to the cash loan is in accordance with the current market conditions.

Other long-term liabilities are related to the obligations for the license 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 Company settles its liabilities arising from borrowings according to the contractually defined repayment schedules. The Company 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:

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
Current portions	95,184,411	71,778,173
From 1 to 2 years	87,776,723	71,168,347
From 2 to 3 years	73,750,780	63,352,354
From 3 to 4 years	49,217,882	56,780,766
From 4 to 5 years	11,751,148	38,163,931
After 5 years	14,994,732	23,617,938
Total non-current portion of borrowings	<b>237,491,265</b>	<b>253,083,336</b>
	<b>332,675,676</b>	<b>324,861,509</b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020

## 28. LEASE LIABILITIES

	In BAM 31 December 2020 and FY 2019
	<u>Land and buildings</u>
<b>Balance as of 1 January 2019</b>	53,220,635
New additions	9,684,446
Interest expense (Note 11)	1,188,864
Modification of the lease period	581,695
Liability closing	(11,436,462)
<b>Balance as of 31 December 2019</b>	<b>53,239,178</b>
<b>Balance as of 1 January 2020</b>	53,239,178
New additions	7,500,263
Interest expense (Note 11)	1,150,670
Modification of the lease period	(210,876)
Liability closing	(12,584,526)
<b>Balance as of 31 December 2020</b>	<b>49,094,709</b>
<i>Less: Current portion of long-term leases due within one year</i>	(11,237,147)
<b>Balance as of 31 December 2020</b>	<b>37,857,562</b>

The Company recognised rental liabilities in accordance with IFRS 16, based on which a liability is measured at the present value of all rental payments that were not made on the recognition date.

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

## 29. DEFERRED INCOME

	31 December 2020	In BAM 31 December 2019
Grants received	49,468	61,835
<i>Less: Current portion of deferred income</i>	(12,367)	(12,367)
	<b>37,101</b>	<b>49,468</b>

Movements on deferred income for the year ended 31 December 2020 and FY 2019 were as follows:

	Year ended 31 December 2020	In BAM Year ended 31 December 2019
<i>Balance as of 1 January</i>	61,835	74,202
Reversal credited to other income	(12,367)	(12,367)
<i>Balance, end of year</i>	<b>49,468</b>	<b>61,835</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**30. EMPLOYEE BENEFITS**

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
Employee benefits		
- non-current portion	6,144,478	6,251,144
- current portion	664,406	601,786
	<b>6,808,884</b>	<b>6,852,930</b>

Long-term provisions for employee benefits as of 31 December 2020, in the amount of BAM 6,808,884 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".

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

Accordingly, the Company 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 2020 on behalf of the Company. 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 of 0.4% per annum, projected years of service for retirement - 40 years for men and 35 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.

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

<b>Number of years of service with the Company</b>	<b>Number of salaries</b>
10	0.5
20	1
30	1.5
40	0.5

Movements on long-term provisions for employee benefits as of 31 December 2020 and for FY 2019 were as follows:

	<b>Current portion</b>		<b>Non-current portion</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
<i>Balance as of 1 January</i>	601,786	660,996	6,251,144	6,144,678
Charge for the year (Note 10)	62,620	(59,210)	350,561	641,361
Transfer from/to the current portion	457,227	534,895	(457,227)	(534,895)
Payments during the year	(457,227)	(534,895)	-	-
<i>Balance, end of year</i>	<b>664,406</b>	<b>601,786</b>	<b>6,144,478</b>	<b>6,251,144</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**31. PROVISIONS**

	<b>Year ended 31 December 2020</b>	<b>In BAM Year ended 31 December 2019</b>
<i>Balance, 1 January</i>	46,032	147,862
Provisions for litigations	24,000	-
Reversal of provisions for litigations	(35,032)	(101,830)
<i>Balance, end of year</i>	<b>35,000</b>	<b>46,032</b>

**32. TRADE PAYABLES**

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
<i>Trade payables:</i>		
- related parties ( <i>Note 36(a)</i> )	5,104,827	4,671,883
- domestic	47,889,284	34,316,229
- foreign	9,403,089	7,688,991
- receivables for uninvoiced investments and services	6,686,078	6,744,757
	<b>69,083,278</b>	<b>53,421,860</b>

Trade payables are non-interest bearing. The Company regularly settles its liabilities to suppliers and has financial risk management policies in place which ensure that the liabilities are settled within the agreed time lines. The average days payable outstanding in the period ended 31 December 2020 counted 94 days (year ended 31 December 2019: 76 days).

The ageing structure of trade payables within the year ended 31 December 2020 and 31 December 2019 was as follows:

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
From 0 to 30 days	51,133,125	34,344,916
From 31 to 60 days	7,336,402	6,931,658
From 61 to 120 days	6,723,099	7,952,009
From 121 to 180 days	3,098,912	2,808,802
From 181 to 270 days	568,718	1,039,174
From 271 to 360 days	223,023	345,301
	<b>69,083,279</b>	<b>53,421,860</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**33. ACCRUALS**

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
Deferred income – sales of prepaid top-ups	3,886,610	3,345,364
Accrued liabilities – international traffic	4,500,424	7,514,034
Accrued liabilities – media content distribution/broadcasting	4,130,973	3,800,545
Accrued liabilities per other expenses	8,388,032	8,356,423
Accrued VAT liabilities on advance invoices	3,239,267	1,700,259
Other accruals	223,025	160,255
	<b>24,368,331</b>	<b>24,876,880</b>

Accrued liabilities for international traffic totalling BAM 4,500,424 as of 31 December 2020, mostly relate to the estimates of roaming discounts the Company realised with related parties.

Accrued liabilities per other expenses amounting to BAM 8,388,032 as of 31 December 2020, represent expenses of the period for which there were sufficient information on their existence and inception yet the Company had not received the final invoices for services or goods received until these separate financial statements preparation date.

**34. OTHER LIABILITIES**

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
Advances and prepayments received	1,548,794	1,437,821
Taxes and customs duties charged to expenses	225,029	247,973
Value added tax payable	2,512,166	1,513,518
Liabilities for acquiring equity shares	671,177	45,188,181
TV broadcasting rights	11,315,630	10,195,898
Other liabilities	607,636	479,131
	<b>16,880,432</b>	<b>59,062,522</b>

**35. INCOME TAXES**
**(a) Components of Income Taxes**

	<b>2020</b>	<b>In BAM Year ended 31 December 2019</b>
Current income tax expense	5,962,833	6,533,474
Deferred tax expense – increase/decrease in deferred tax assets	(54,626)	9,387
Deferred tax expense - decrease in deferred tax liabilities	1,119,907	(139,820)
	<b>7,028,114</b>	<b>6,403,041</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**35. INCOME TAXES (Continued)**
**(b) Numerical Reconciliation between Tax Expense and the Product of the Accounting Results Multiplied by the Statutory Tax Rate**

	<b>2020</b>	<b>In BAM Year ended 31 December 2019</b>
<i>Profit before tax</i>	71,407,635	67,428,747
Income taxes calculated at the rate of 10%	7,140,764	6,742,875
<i>Adjustments for:</i>		
- Non-taxable income effects	(1,760,692)	(568,880)
- Non-deductible costs effects	582,761	359,479
- Temporary difference effects	1,065,281	(130,433)
<b><i>Income tax expense</i></b>	<b>7,028,114</b>	<b>6,403,041</b>
<i>Effective tax rate for the year</i>	9.84%	9.50%

**(c) Deferred Tax Assets**

	<b>In BAM Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
<b>Temporary differences:</b>		
<i>Balance as of 1 January</i>	259,254	268,641
(Decrease)/Increase of deferred tax assets	54,626	(9,387)
<i>Balance, end of the year</i>	<b>313,880</b>	<b>259,254</b>

**(d) Deferred Tax Liabilities**

	<b>In BAM Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
<b>Temporary differences:</b>		
<i>Balance as of 1 January</i>	(275,339)	(415,159)
Deferred tax liabilities arising from the measurement of property and equipment for tax purposes	(1,119,907)	139,820
<i>Balance, end of the year</i>	<b>(1,395,246)</b>	<b>(275,339)</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**35. INCOME TAXES (Continued)**

**(e) Current tax liabilities / receivables**

	In BAM	
	31 December 2020	31 December 2019
Receivables for overpaid income tax	293,083	-
Liabilities for current income tax	-	235,645
<i>Balance, end of the year</i>	<b>293,083</b>	<b>235,645</b>



MTEL A.D. BANJA LUKA

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2020

**36. RELATED PARTY TRANSACTIONS**

The majority owner of the Company 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**

31 December 2020

	ASSETS							LIABILITIES					Total liabilities	Net receivables/ (payables)	
	Capitalised TV rights	Trade receivables	Interest receivable	Dividend receivable	Accrued and uninvoiced income	Long-term loans	Short-term loans	Total receivables	Trade payables	Accrued (estimated) expenses	Liabilities for TV Rights	Dividends payable			Other liabilities
- Parent Company	1,745,915	2,139,395	-	-	757,393	-	-	4,642,703	(2,951,488)	(1,516,991)	(1,881,806)	(15,509,344)	-	(21,859,629)	(17,216,926)
- Associates	-	4,356,637	81,168	-	174,577	-	977,915	5,590,297	(265,986)	(2,170,904)	-	-	-	(2,436,890)	3,153,407
- Subsidiaries	-	6,249,561	-	8,840,000	53,775	-	740,000	15,883,336	(1,876,673)	(322,210)	-	-	(654,140)	(2,853,023)	13,030,313
- Other related parties	4,121,461	548,737	-	-	-	-	-	4,670,198	-	(323,948)	(4,121,489)	-	-	(4,445,437)	224,761
	<b>5,867,376</b>	<b>13,294,330</b>	<b>81,168</b>	<b>8,840,000</b>	<b>985,745</b>	<b>-</b>	<b>1,717,915</b>	<b>30,786,534</b>	<b>(5,094,147)</b>	<b>(4,334,053)</b>	<b>(6,003,295)</b>	<b>(15,509,344)</b>	<b>(654,140)</b>	<b>(31,594,979)</b>	<b>(808,445)</b>

31 December 2019

	ASSETS							LIABILITIES					Total liabilities	Net receivables/ (payables)	
	Capitalised TV rights	Trade receivables	Interest receivable	Dividend receivable	Accrued and uninvoiced income	Long-term loans	Short-term loans	Total receivables	Trade payables	Accrued (estimated) expenses	Liabilities for TV Rights	Dividends payable			Other liabilities
- Parent Company	5,777,871	1,845,001	-	-	1,026,434	-	-	8,649,306	(2,477,885)	(2,431,013)	(5,898,897)	(9,074,789)	-	(19,882,584)	(11,233,278)
- Associates	-	7,348,409	43,802	-	268,649	-	4,889,575	12,550,435	(519,616)	(1,503,547)	-	-	-	(2,023,163)	10,527,272
- Subsidiaries	-	2,326,432	-	6,800,000	24,988	1,978,928	-	11,130,348	(1,507,550)	(140,484)	-	-	-	(1,648,034)	9,482,314
- Other related parties	4,909,951	-	-	-	-	-	-	4,909,951	(166,832)	(166,832)	(4,967,182)	-	-	(5,300,846)	(390,895)
	<b>10,687,822</b>	<b>11,519,842</b>	<b>43,802</b>	<b>6,800,000</b>	<b>1,320,071</b>	<b>1,978,928</b>	<b>4,889,575</b>	<b>37,240,040</b>	<b>(4,671,883)</b>	<b>(4,241,876)</b>	<b>(10,866,079)</b>	<b>(9,074,789)</b>	<b>-</b>	<b>(28,854,627)</b>	<b>8,385,413</b>



MTEL A.D. BANJA LUKA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020

36. RELATED PARTY TRANSACTIONS (Continued)

(b) STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year ended 31 December 2020

	REVENUES				Costs incurred with related parties	EXPENSES	
	Income from the sale of goods and services	Interest income	Other operating income	Total income		Total expenses	Net income/(expenses)
- Parent Company	16,911,247	-	-	16,911,247	(17,853,021)	(17,853,021)	(941,774)
- Associates	2,180,536	79,385	-	2,259,921	(1,784,088)	(1,784,088)	475,833
- Subsidiaries	21,778,078	5,280	6,589,662	28,373,020	(6,726,848)	(6,726,848)	21,646,172
- Other related parties	548,737	-	-	548,737	(3,780,030)	(3,780,030)	(3,231,293)
	<b>41,418,598</b>	<b>84,665</b>	<b>6,589,662</b>	<b>48,092,925</b>	<b>(30,143,987)</b>	<b>(30,143,987)</b>	<b>17,948,938</b>

Year ended 31 December 2019

	REVENUES				Costs incurred with related parties	EXPENSES	
	Income from the sale of goods and services	Interest income	Other operating income	Total income		Total expenses	Net income/(expenses)
- Parent Company	18,943,069	-	-	18,943,069	(19,952,557)	(19,952,557)	(1,009,488)
- Associates	4,139,397	43,802	-	4,183,199	(2,147,569)	(2,147,569)	2,035,630
- Subsidiaries	12,482,539	805	8,077,154	20,560,498	(2,351,092)	(2,351,092)	18,209,406
- Other related parties	-	-	-	-	(2,072,190)	(2,072,190)	(2,072,190)
	<b>35,565,005</b>	<b>44,607</b>	<b>8,077,154</b>	<b>43,686,766</b>	<b>(26,523,408)</b>	<b>(26,523,408)</b>	<b>17,163,358</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**36. RELATED PARTY TRANSACTIONS (Continued)**
**(b) STATEMENT OF COMPREHENSIVE INCOME (Continued)**

	<b>2020</b>	<b>In BAM Year ended 31 December 2019</b>
<b>Short-term remunerations to the key management personnel:</b>		
- Executive Board	(674,094)	(681,868)
- Management Board	(295,589)	(270,418)
- Audit Committee	(83,336)	(69,781)
	<b>(1,053,019)</b>	<b>(1,022,067)</b>

The key management personnel are not entitled to the additional long-term employee benefits or termination benefits other than those disclosed in Note 3.15.

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

**37. EARNINGS AND DIVIDEND PER SHARE**

	<b>2020</b>	<b>In BAM Year ended 31 December 2019</b>
Profit for the period	64,379,521	61,025,706
Weighted average number of shares outstanding	491,383,755	491,383,755
Earnings per share (basic and diluted)	0.1310	0.1242

On 25 June 2020 the Company's Shareholders Assembly enacted a Decision on the Distribution of the Remaining Portion of Profit from 2019, based on which the profit was distributed to the shareholders in the amount of BAM 43,575,758 (BAM 0.08868 of dividends per share), whereas on 4 December 2020, the Company's Shareholders Assembly passed a Decision on the Payment of a Temporary Dividend in the amount of BAM 16,166,765 (BAM 0.03290 of dividends per share).

Liabilities for the remaining unpaid dividends to the shareholders totalled BAM 22,995,752 as of 31 December 2020 (31 December 2019: BAM 15,289,409).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**38. CONTINGENT LIABILITIES**
*Litigations*

The Company appears at times as a defendant in legal suits filed against it by legal entities and private individuals claiming damages. The estimated contingent liabilities arising from lawsuits filed against the Company as of 31 December 2020 totalled BAM 54,211,043, excluding effects of penalty interest and court expenses.

The most significant court proceeding is the one which involves as a plaintiff *Crumb group* d.o.o. Bijeljina amounting to BAM 42 million. The Company's management uses legal advisory services in these cases, based on which it believes that the probability of negative outcomes for the Company is very remote, given that most of these lawsuits are lacking in merit.

Such belief is based on the fact that in all these suits, within legally prescribed proceedings, the competent courts have already established that there had been no illegality on the part of the Company. Management further expects that the final outcome of these disputes will not significantly or materially hinder the financial operations of the Company. Based on the aforesaid facts, the Company has not recorded provisions for the said legal suits nor does it consider any further disclosures in respect thereof necessary.

The Company's management estimates that there will be no material losses based on the outcome 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 Company 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 Company monitors capital based on the debt-to-equity ratio.

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

**39.1.1. Debt to Equity Ratio**

The Company's gearing ratios as of the year end were as follows:

	In BAM	
	31 December 2020	31 December 2019
Debt (a)	336,587,336	338,121,793
Cash and cash equivalents	(14,998,572)	(46,641,194)
<b>Net debt</b>	<b>321,588,764</b>	<b>291,480,599</b>
Equity (b)	686,528,136	681,892,103
<b>Debt to Equity Ratio</b>	<b>46.84%</b>	<b>42.75%</b>

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

(b) Equity includes share capital, reserves and retained earnings and losses from financial assets at FVOCI.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**39. FINANCIAL INSTRUMENTS (Continued)**
**39.1. Capital Risk Management (Continued)**
**39.1.2. Significant Accounting Policies Regarding Financial Instruments**

The review of 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, is set out in *Note 3* to the separate financial statements.

**39.2. Categories of Financial Instruments**

Categories of financial instruments as of 31 December 2020 and 31 December 2019 are presented in the table below:

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
<b>Financial assets</b>		
Financial assets whose fair value is measured at amortized cost	99,599,213	132,572,435
Financial assets whose fair value is measured through other comprehensive income	5,359	6,324
	<b>99,604,572</b>	<b>132,578,759</b>
<b>Financial liabilities - at amortized cost</b>	<b>513,780,065</b>	<b>529,092,955</b>

**39.3. Financial Risk Management**

In its regular course of business, the Company is 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 Company is focused on minimizing the potential adverse effects on the Company's financial position and business operations, contingent on the volatility of the market. The accounting policies adopted by the Company regulate the risk management.

The Company did not enter into transactions with derivative instruments, such as interest rate swaps or forwards in the year ended as of 31 December 2020.

**(1) Market Risk**
**(a) Foreign Exchange Risk**

Although the Company performs a number of its transactions in foreign currencies, the Company's management holds that the Company 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 Convertible Mark).

Accordingly, the Company 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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**39. FINANCIAL INSTRUMENTS (Continued)**
**39.3. Financial Risk Management (Continued)**
**(1) Market Risk (Continued)**
**(a) Foreign Exchange Risk (Continued)**

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

	Assets		Liabilities		In BAM
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	
	EUR	9,260,958	13,372,962	197,650,778	191,992,673
USD	346,707	90,415	3,082,050	3,191,292	
CHF	1,550	1,548	-	225	
GBP	2,367	1,168	-	1,405	
HRK	287	102	-	-	
RSD	5,017	5,046	-	-	
	<b>9,616,886</b>	<b>13,471,241</b>	<b>200,732,828</b>	<b>195,185,595</b>	

*Sensitivity Analysis*

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

If the foreign currencies exchange rate was 10% higher/lower, the Company's net profit for the year ended 31 December 2020 would have decreased/increased by the amount of BAM 21,663 (in FY 2019: BAM 16,874).

**(b) Interest Rate Risk**

The Company 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 Company has no significant interest-bearing assets, the Company's income is to a great extent independent of interest rate risk.

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

During the year ended 31 December 2020, 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 Company 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 Company still does not swap variable for fixed interest rates, and vice versa, but takes steps to securitize loans from banks at more favourable terms.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**

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**39. FINANCIAL INSTRUMENTS (Continued)**

**39.3. Financial Risk Management (Continued)**

**(1) Market Risk (Continued)**

**(b) Foreign Exchange Risk (Continued)**

*Sensitivity Analysis*

Sensitivity analysis to changes in interest rates is determined on the basis of exposure to interest rate of non-derivative instruments at the end of the reporting period. For floating 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 Company's net profit for the year ended 31 December 2020 would have decreased/increased by the amount of BAM 646,351 (in FY 2019: BAM 474,074) as a result of higher/lower interest expenses.

**(c) Equity Price Risk**

During the reporting period ended 31 December 2020, the Company was exposed to a risk of price changes of equity securities. The aforesaid investments are held for strategic purposes rather than everyday trading, and they are not actively traded.

**(2) Liquidity Risk**

On the Company level, liquidity management is centralized. Ultimate responsibility for the liquidity risk management rests with the Company's management, which has established certain procedures for the management of the Company's long and short-term liquidity.

The Company handles its assets and liabilities in a manner that ensures that the Company is able to settle its liabilities at any moment.

The Company 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 Company does not make use of financial derivatives.

In order to manage liquidity risk, the Company 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 Company to make decisions on certain acquisitions.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**39. FINANCIAL INSTRUMENTS (Continued)**
**39.3. Financial Risk Management (Continued)**
**(2) Liquidity Risk (Continued)**

Maturities of the Company's financial assets and liabilities as of 31 December 2020 and 31 December 2019 were as follows:

Financial assets						In BAM
	Up to 3 Months	3 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
<b>31 December 2020</b>						
<b>Non-interest bearing</b>						
- Loans and receivables (including cash and cash equivalents)	89,616,895	-	-	-	-	89,616,895
<b>Fixed interest rate</b>						
- Fair value at amortised cost	9,969,595	89,968	46,105	114,188	94,375	10,314,231
<b>Total</b>	<b>99,586,490</b>	<b>89,968</b>	<b>46,105</b>	<b>114,188</b>	<b>94,375</b>	<b>99,931,126</b>
<b>31 December 2019</b>						
<b>Non-interest bearing</b>						
- Loans and receivables (including cash and cash equivalents)	124,510,546	530,000	1,448,928	-	-	126,489,474
<b>Fixed interest rate</b>						
- Fair value at amortised cost	5,227,024	16,950	12,353	11,233	-	5,267,560
<b>Total</b>	<b>129,737,570</b>	<b>546,950</b>	<b>1,461,281</b>	<b>11,233</b>	<b>-</b>	<b>131,757,034</b>
<b>Financial liabilities</b>						In BAM
	Up to 3 Months	3 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
<b>31 December 2020</b>						
<b>Other liabilities at amortized cost</b>						
- Non-interest bearing	88,868,943	15,447,167	7,825,110	14,025,199	1,983,833	128,150,253
- Instruments at variable interest rate	21,570,027	79,809,751	88,244,532	135,092,916	15,245,993	339,963,219
- Instruments at fixed interest rate	3,185,856	12,431,678	15,710,712	24,612,796	6,402,480	62,343,522
<b>Total</b>	<b>113,624,826</b>	<b>107,688,596</b>	<b>111,780,354</b>	<b>173,730,911</b>	<b>23,632,306</b>	<b>530,456,994</b>
<b>31 December 2019</b>						
<b>Other liabilities at amortized cost</b>						
- Non-interest bearing	108,368,860	15,812,158	9,204,359	4,400,618	-	137,785,995
- Instruments at variable interest rate	9,379,698	72,582,057	71,505,356	156,628,514	24,261,332	334,356,957
- Instruments at fixed interest rate	6,483,672	12,159,890	14,858,462	28,866,318	8,228,867	70,597,209
<b>Total</b>	<b>124,232,230</b>	<b>100,554,105</b>	<b>95,568,177</b>	<b>189,895,450</b>	<b>32,490,199</b>	<b>542,740,161</b>

The review 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 Company expects cash flow in another period), i.e., based on the earliest date on which the Company 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**39. FINANCIAL INSTRUMENTS (Continued)**
**39.3. Financial Risk Management (Continued)**
**(3) Credit Risk**

Credit risk is the risk that counterparty will default on its contractual obligations to the Company, which will result in financial loss to the Company. The Company 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 Company is exposed to credit risk to a limited extent. As hedges against credit risk, certain measures and activities have been taken on the Company level. In case any service user falls behind in settlement of liabilities to the Company, further services to such a user are suspended.

In addition, the Company 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 Company employees is ensured through salary garnishment, i.e., by decreasing salaries for the adequate amount of repayment instalments, whereas the employees leaving the Company enter agreements to regulate the manner of repayment of the outstanding loan portion upon leaving the Company.

For credit risk minimization purposes, the Company 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 Company 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 Company'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 Company's current framework for credit risk assessment is comprised of the following categories:

<b>Category</b>	<b>Description</b>	<b>Basis for ECL recognition</b>
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 Company's receivables	Written-off amount

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**39. FINANCIAL INSTRUMENTS (Continued)**
**39.3. Financial Risk Management (Continued)**
**(3) Credit Risk (Continued)**

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

<b>31 December 2020</b>	<b>Note</b>	<b>External classification</b>	<b>Internal classification</b>	<b>12-month ECL or lifetime ECL?</b>	<b>Gross exposure</b>	<b>Impairment allowance</b>	<b>Net exposure</b>
Long-term loans and receivables	18	H/Π	Performing and non-performing	Lifetime ECL	11,994,556	24,949	11,969,607
Trade receivables	20	H/Π	Performing and non-performing	Lifetime ECL	131,120,669	58,043,785	73,076,884
Other receivables	21	H/Π	Performing and non-performing		9,957,468	487,466	9,470,002
Cash and cash equivalents	25	H/Π	Performing		5,059,011	-	5,059,011
Financial assets measured at amortized cost	17	H/Π	Performing		23,709	-	23,709
Financial assets measured at FVTOCI	17	H/Π	Performing		26,600	21,241	5,359
					<b>158,182,013</b>	<b>58,577,441</b>	<b>99,604,572</b>

**(4) Fair Value**
*Fair Value of Financial Assets Other than Measured at Fair Value*

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

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<i>Financial assets:</i>				
Financial assets measured at amortized cost	23,309	22,424	34,140	31,414
<b>Total</b>	<b>23,309</b>	<b>22,424</b>	<b>34,140</b>	<b>31,414</b>

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 Company 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**39. FINANCIAL INSTRUMENTS (Continued)**
**39.3. Financial Risk Management (Continued)**
**(4) Fair Value (Continued)**

The following table provides an analysis of financial instruments that were measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 of determination the fair value is derived from the quoted market value (non-adjusted) in active markets for identical assets and liabilities.
- Level 2 determination the fair value is derived from the input parameters, different from the quoted market value included in Level 1, which are observable from the assets or liabilities, directly (e.g., prices) or indirectly (e.g., derived from prices).
- Level 3 of determining the fair value is derived from the assessment techniques that include the input parameters for financial assets and financial liabilities, which represent data that cannot be found on the market (unobservable input parameters).

	<b>In BAM</b>			
	<b>31 December 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial assets:</i>				
Financial assets at fair value through OCI (Note 17)	5,359	-	-	5,359
<b>Total</b>	<b>5,359</b>	<b>-</b>	<b>-</b>	<b>5,359</b>

Total gains presented in the other comprehensive income relate to the financial assets at fair value through other comprehensive income (Nova banka a.d., Banja Luka, Note 17).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**40. SEGMENT REPORTING**
**40.1. Segment information**

As of 31 December 2020, the Company's reporting segments in accordance with IFRS 8, were as follows:

1. Fixed-line telephony and Internet,
2. Mobile telephony.

**40.2. Segment Revenues and Results**

The segment revenues and results for the year ended 31 December 2020 are presented in the following table:

31 December 2020	In BAM		
	Fixed-Line Telephony and Internet	Mobile Telephony	Total
Sales of goods and services	161,155,852	253,028,124	414,183,976
Other operating income	2,628,435	4,126,730	6,755,165
Inter-segment settlement	65,165,830	28,386,903	93,552,733
Cost of materials, merchandise and combined services	(10,995,621)	(48,885,546)	(59,881,167)
Staff costs	(27,439,085)	(43,080,280)	(70,519,365)
Depreciation and amortization charge	(44,801,578)	(61,657,351)	(106,458,929)
Cost of production services	(47,973,332)	(34,490,328)	(82,463,660)
Other operating expenses	(8,552,113)	(18,596,607)	(27,148,720)
Finance income – interest-bearing	278,745	437,638	716,383
Finance income - other	2,708,082	4,251,780	6,959,862
Impairment of financial assets	(1,115,146)	(1,750,817)	(2,865,963)
Finance expenses	(3,062,203)	(4,807,745)	(7,869,948)
Inter-segment settlement	(28,386,903)	(65,165,830)	(93,552,733)
<b>Profit before taxes</b>	<b>59,610,963</b>	<b>11,796,671</b>	<b>71,407,634</b>
Income tax expense	(2,734,639)	(4,293,475)	(7,028,114)
<b>Net profit</b>	<b>56,876,324</b>	<b>7,503,196</b>	<b>64,379,520</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**
**40. SEGMENT REPORTING (Continued)**
**40.2. Segment Revenues and Results (Continued)**

The segment revenues and results for the year ended 31 December 2019 are presented in the following table:

	In BAM		
	Fixed-Line Telephony and Internet	Mobile Telephony	Total
<b>31 December 2019</b>			
Sales of goods and services	156,110,668	258,160,840	414,271,508
Other operating income	3,421,133	5,658,306	9,079,439
Inter-segment settlement	66,389,424	28,996,885	95,386,309
Cost of materials, merchandise and combined services	(10,280,527)	(48,027,255)	(58,307,782)
Staff costs	(27,140,803)	(44,888,930)	(72,029,733)
Depreciation and amortization charge	(60,044,543)	(54,848,407)	(114,892,950)
Cost of production services	(47,351,523)	(38,593,421)	(85,944,944)
Other operating expenses	(8,246,261)	(17,703,949)	(25,950,210)
Finance income – interest-bearing	334,023	552,451	886,474
Finance income - other	3,081,073	5,095,871	8,176,944
Impairment of financial assets	(584,850)	(967,299)	(1,552,149)
Finance expenses	(2,376,798)	(3,931,052)	(6,307,850)
Inter-segment settlement	(28,996,885)	(66,389,424)	(95,386,309)
<b>Profit before taxes</b>	<b>44,314,131</b>	<b>23,114,616</b>	<b>67,428,747</b>
Income tax expense	(2,412,666)	(3,990,375)	(6,403,041)
<b>Net profit</b>	<b>41,901,465</b>	<b>19,124,241</b>	<b>61,025,706</b>

Segment revenues and results reported above (for the year ended 31 December 2020 and 31 December 2019) 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 Company'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 Company's revenue from its major services is presented in detail in *Note 5* to the separate financial statements.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2020**
**40. SEGMENT REPORTING (Continued)**
**40.3. Segment Capital Expenditures**

Capital expenditures of the segments during the period were as follows:

	In BAM		
	Fixed-Line Telephony and Internet	Mobile Telephony	Total
<b>31 December 2020</b>			
Capital expenditures (Notes 12, 13 and 14)	81,014,942	34,063,230	<b>115,078,172</b>
<b>31 December 2019</b>			
Capital expenditures (Notes 12, 13 and 14)	102,033,594	55,109,426	<b>157,143,020</b>

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

**41. TAXATION RISKS**

The 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 Company may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Company 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 Company performs a significant number of business transactions with its related parties.

Although the Company'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 authorities differ from those of the management. The Company's management believes that no varying interpretations could have material impact on the Company's financial statements on the whole.

**42. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE COMPANY**

The rapid spread of the Covid-19 virus and its social and economic effects in the Republic of Srpska, as well as globally, can result in a significant impact on the business of all economic entities.

The Company regularly monitors developments related to the spread of the Covid-19 virus, as well as the impact on the macroeconomic environment and operations of the Company, and implements all necessary measures to minimize the impact of the pandemic on business. At the date of issuance of these financial statements, the Company continues to meet its liabilities on maturity, and continuously provides services to its clients.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2020**


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**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:

	<b>31 December 2020</b>	<b>In BAM 31 December 2019</b>
Euro (EUR)	1.95583	1.95583
Serbian Dinar (RSD)	0.01663	0.01663
American Dollar (USD)	1.59257	1.74799
Swiss Franc (CHF)	1.80145	1.79913



## **BDO d.o.o. Banja Luka**

Ive Andrića 15  
78000 Banja Luka  
Republika Srpska, BiH  
Tel: +387 51 225 011  
Fax: +387 51 225 012

[www.bdo.ba](http://www.bdo.ba)

