“MTEL” a.d. BANJA LUKA

Separate Financial Statements for the Six-month Period Ended 30 June 2021 and Independent Auditor’s Report

CONTENTS

BDO

Tel: +387 51 225 011
Fax: +387 51 225 012
www.bdo.ba

Ive Andrića 15
78000 Banja Luka
Republika Srpska, BiH

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 separate financial statements of "Mtel" a.d. Banja Luka (the "Company"), which comprise the separate statement of financial position as of 30 June 2021, 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 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 of 30 June 2021, and its separate financial performance and its separate cash flows for the six- month period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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*),* together with the ethical requirements relevant for our audit of financial statements in the Republic of Srpska, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

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

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (Continued)

Key Audit Matter	Audit procedures applied
1. Revenue recognition (accuracy of recording revenues due to the complexity of the information systems for generating income from services rendered), Note 5 to the separate financial statements	
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. Based on the procedures performed, we have not identified significant findings in relation to the accuracy of the revenue recorded for the six-month period ended 30 June 2021.	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. We tested the compliance of prices and discount terms on customers' invoices with the current pricelist and discount terms on a sample basis.

Key Audit Matter	Audit procedures applied
2. **Accrual of income and expenses due to the assessment of contracted and realised roaming discounts in the international traffic, Notes 24 and 33 to the separate financial statements**	
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 matter due to the fact that they include a significant scope of management estimates relating to meeting the requirements from individual contracts with specific operators. Based on the procedures performed, we have not identified significant findings in relation to the accrued discounts based on the roaming traffic realised in the six-month period ended as of 30 June 2021.	We reviewed contracts with major operators per income generated/expenses incurred from the roaming discount, tested sales/purchase invoices to/from operators on a sample basis and checked their accuracy, as well as their compliance with the terms defined in the agreements on roaming discounts. We have verified the billing of the amount of roaming with clearings and settlements received from clearing houses in the six-month period ended as of 30 June 2021. In addition, we have checked the consistency in the application of the Company's accounting policies when recording roaming discounts.

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
3. Capitalisation of costs of investments in intangible assets and property, plant and equipment, and their measurement after initial recognition, Notes 12 and 14 to the separate financial statements	
The aforementioned key audit matter is chosen due to the fact that it includes significant Company management estimates in the capitalization of costs of investments in software and property, plant and equipment, as well as upon determination of the depreciation/amortization period and subsequent measurement of the recoverable value of these assets due to the relatively rapid technological changes that are characteristic of telecommunications industry. Based on the procedures performed, we have not identified significant findings in relation to the adequacy of capitalization of costs of investments in intangible assets, plant and equipment, as well as their subsequent measurement after initial recognition in the six-month period ended as of 30 June 2021.	We have tested on a sample basis the costs of the Company recorded on costs of the current period, as well as the increase the Company recorded during the year on intangible assets and property, plant and equipment, from the standpoint of meeting the criteria for capitalization of costs, i.e. their recognition as costs in the current period. We have analysed the Company's management estimates relating to the existence of impairment indicators for intangible assets, property, plant and equipment, such as changes in use, reduction in the market value, identification of physical damage, etc. We have reviewed the depreciation/amortization rates applied in relation to useful lives of assets, asset replacement schemes, historical disposals experience, as well as income and expenses from disposal of certain assets. We have tested the internal controls implemented by the Company's management in this process. Based on the sample we have checked the arithmetic accuracy of the calculation of depreciation/amortization and compared the rates with the prior accounting period. In addition, we have tested investments in progress by the ageing structure of an investment, its physical condition, additional costs capitalized during the period, at the moment of placing in use and the beginning of depreciation/amortization.

INDEPENDENT AUDITOR'S REPORT

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

Emphasis of Matter

We draw attention to Note 2.2 to the separate financial statements, which discloses that the Company is a parent company and that the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards, have been issued separately. The Company’s consolidated financial statements as of 30 June 2021 and for the period ended that day were audited and we expressed an unqualified opinion in our auditor’s report dated 2 August 2021. Our opinion is not modified in this regard.

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

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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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.

INDEPENDENT AUDITOR'S REPORT

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 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, 12 August 2021

Tibor Florjan
Authorised representative
BDO d.o.o. Banja Luka

Društvo za konsalting i reviziju 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 Six-Month Period Ended 30 June 2021
(In BAM)

	Notes	Period ended 30 June 2021	Period ended 30 June 2020
Sales of goods and services	5	207,840,273	197,882,012
Other operating income	6	3,379,275	2,438,334
Cost of materials, merchandise and combined services	7	(28,278,463)	(27,183,265)
Staff costs	8	(37,017,801)	(36,525,266)
Depreciation and amortization charges	12,13,14	(54,460,672)	(58,927,720)
Cost of production services	9	(41,189,075)	(39,854,776)
Other operating expenses	10	(12,415,880)	(13,276,219)
Financial income – interest income	11	386,990	251,984
Financial income – other financial income	11	115,466	162,529
Impairment losses of financial assets	22	(2,030,273)	(2,805,552)
Financial expenses	11	(3,902,246)	(3,967,816)
Profit before taxes		**32,427,594**	**18,194,245**
Income tax expense	35 (a)	(3,232,538)	(2,027,481)
Net profit		**29,195,056**	**16,166,764**
Other comprehensive income, net of income taxes:			
(a) Items that may be subsequently reclassified to profit or loss:			
Losses from financial assets at fair value measured through other comprehensive income		-	(1,019)
Total other comprehensive income, net of income tax		-	(1,019)
Total comprehensive income for the period		**29,195,056**	**16,165,745**
Earnings per share:			
Basic and diluted earnings per share	37	0.0594	0.0329

The accompanying separate financial statements of the Company were approved for issuance by the management of "Mtel" a.d. Banja Luka on 31 July 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 30 June 2021
(In BAM)

	Notes	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets	12	106,887,966	98,255,867
Right-of-use assets	13	45,828,289	47,730,607
Property and equipment	14	569,605,866	562,926,880
Investments in subsidiaries	15	234,438,735	234,438,735
Investments in associates	16	175,982,972	161,764,419
Other investments	17	29,068	29,068
Long-term receivables and loans	18	192,285	207,655
Deferred tax assets	35 (c)	345,460	313,880
		1,133,310,641	1,105,667,111
Current assets			
Inventories	19	15,721,027	17,228,579
Trade receivables	20	82,072,036	73,076,884
Receivables for overpaid income tax	35 (e)	-	293,083
Other receivables	21	7,828,086	9,470,002
Deposits and loan receivables	23	8,942,469	11,761,952
Prepayments and accrued income	24	17,074,079	17,422,828
Cash and cash equivalents	25	8,301,863	5,059,011
		139,939,560	134,312,339
Total assets		**1,273,250,201**	**1,239,979,450**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	491,383,755	491,383,755
Legal reserves	26	49,141,766	49,141,766
Unrealized (losses)/gains from financial assets at fair value measured through other comprehensive income		(1,641)	(1,641)
Other reserves – reserves arising on the commitment to invest	26	97,791,500	97,791,500
Retained earnings		29,195,056	48,212,756
		667,510,436	686,528,136
Long-term liabilities and provisions			
Interest bearing borrowings and borrowings	27	224,799,182	237,491,265
Lease liabilities	28	35,890,772	37,857,562
Other long-term liabilities		30,111,500	24,387,574
Deferred income	29	30,918	37,101
Employee benefits	30	5,918,503	6,144,478
Provisions	31	35,000	35,000
Deferred tax liabilities	35 (d)	1,837,696	1,395,246
		298,623,571	307,348,226
Current liabilities			
Interest bearing borrowings and borrowings	27	102,200,458	99,096,071
Lease liabilities	28	11,656,432	11,237,147
Trade payables	32	77,251,104	69,083,278
Accruals and deferred income	33	29,451,261	24,368,331
Employee benefits	30	664,406	664,406
Provisions	31	1,765,304	1,765,304
Deferred income	29	12,367	12,367
Dividend payables	37	57,240,385	22,995,752
Income tax liabilities	35 (e)	29,969	-
Other liabilities	34	26,844,508	16,880,432
		307,116,194	246,103,088
Total equity and liabilities		**1,273,250,201**	**1,239,979,450**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the Six-Month Period Ended 30 June 2021
(In BAM)

	Share Capital	Legal Reserves	Unrealised (losses)/gains from financial assets at fair value measured through other comprehensive income	Other Reserves - Reserves arising from the Commitment to Invest	Retained Earnings	Total
Balance, 1 January 2020	**491,383,755**	**49,141,766**	**(676)**	**97,791,500**	**43,575,758**	**681,892,103**
Net profit for the period from 1 January to 30 June 2020	-	-	-	-	16,166,764	16,166,764
Total other comprehensive income for the period from 1 January to 30 June 2020	-	-	(1,019)	-	-	(1,019)
Total comprehensive income for the period	**-**	**-**	**(1,019)**	**-**	**16,166,764**	**16,165,745**
Profit distribution:						
Dividend paid to shareholders	-	-	-	-	(43,575,758)	(43,575,758)
Balance, 30 June 2020	**491,383,755**	**49,141,766**	**(1,695)**	**97,791,500**	**16,166,764**	**654,482,090**
Net profit for the period from 1 July to 31 December 2020	-	-	-	-	48,212,756	48,212,756
Total other comprehensive income for the period from 1 July to 31 December 2020	-	-	54	-	-	54
Total comprehensive income for the period	**-**	**-**	**54**	**-**	**48,212,756**	**48,212,810**
Profit distribution:						-
Interim dividend paid to shareholders	-	-	-	-	(16,166,764)	(16,166,764)
Balance, 31 December 2020	**491,383,755**	**49,141,766**	**(1,641)**	**97,791,500**	**48,212,756**	**686,528,136**
Net profit for the period from 1 January to 30 June 2021	-	-	-	-	29,195,056	29,195,056
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**29,195,056**	**29,195,056**
Profit distribution (*Note 37*):						
Dividend paid to shareholders	-	-	-	-	(48,212,756)	(48,212,756)
Balance, 30 June 2021	**491,383,755**	**49,141,766**	**(1,641)**	**97,791,500**	**29,195,056**	**667,510,436**

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

SEPARATE STATEMENT OF CASH FLOWS
For the Six-Month Period Ended 30 June 2021
(In BAM)

	Period ended 30 June 2021	Period ended 30 June 2020
Cash flows from operating activities		
Cash receipts from customers and prepayments	202,211,263	200,037,597
Other cash receipts from regular operations	1,506,373	1,664,481
Cash paid to suppliers – purchases of material, fuel, energy and other expenses	(68,810,443)	(78,357,579)
Cash paid to and on behalf of employees	(29,798,024)	(30,990,104)
Interest paid	(3,698,567)	(3,859,003)
Income taxes paid	(2,458,331)	(2,906,989)
Other taxes and duties paid	(3,523,402)	(2,976,606)
Net cash generated by operating activities	**95,428,869**	**82,611,797**
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(24,443,721)	(26,583,174)
Proceeds from sale of property, equipment and intangible assets	154,585	41,778
Interest received	379,385	250,795
Inflows from long-term financial investments	79,171	369,960
Inflows/(Outflows) from short-term financial investments	1,780,511	(6,395,564)
Outflows from purchasing shares and stakes	(13,911,815)	(59,808,809)
Proceeds from dividends	1,975,000	1,450,000
Net cash used in investing activities	**(33,986,884)**	**(90,675,014)**
Cash flows from financing activities		
Inflows from long-term loans	16,000,000	37,724,468
Inflows from short-term loans	-	12,279,150
Outflows from long-term financial liabilities	(46,092,312)	(41,876,351)
Outflows from short-term loans	-	(6,258,656)
Outflows from lease liabilities	(5,824,520)	(5,748,955)
Outflows from other short-term liabilities	(8,764,318)	(5,855,707)
Dividend and interim dividend payments to the shareholders	(13,517,983)	(12,854,308)
Net cash used in financing activities	**(58,199,133)**	**(22,590,359)**
Net increase/(decrease) in cash and cash equivalents	**3,242,852**	**(30,653,576)**
Cash and cash equivalents at the beginning of the period	5,059,011	41,497,362
Cash and cash equivalents at the end of the period	**8,301,863**	**10,843,786**

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

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 at 30 June 2021, the Company had equity interest in the following subsidiaries and associates:

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

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

Pursuant to a Decision passed by the Business Registers Agency of the Republic of Serbia, the associate GO4YU d.o.o. Belgrade changed its business name to *MTEL Global d.o.o.* Belgrade on 3 September 2020.
As at 30 June 2021, the Company had 2,073 employees (as at 31 December 2020: 2,104 employees).

The Company's principal business activity is the provision of telecommunication services the most significant of which is domestic and international т telecommunication 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 network, 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 at 30 June 2021, the Company provided telecommunication services to the total number of 1,585,418 users (31 December 2020: 1,558,885 users).

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

The General Manager of the Company as at 30 June 2021 is Mr Marko Lopičić.

1. CORPORATE INFORMATION (Continued)

The members of the Management Board on the accompanying separate financial statements issuance date were as follows:

Mr Vladimir Lučić
Ms Danijela Maletić
Mr Dejan Carević
Mr Slavko Mitrović
Mr Draško Marković
Mr Branko Malović
Mr Nenad Tomović

The members of the Executive Board on the accompanying separate financial statements issuance date were as follows:

Mr Marko Lopičić
Ms Jasmina Lopičić
Ms Radmila Bojanić
Mr Milan Aleksijević
Mr Vladimir Četrović
Mr Nikola Rudović

2. BASIS OF PREPARATION AND PRESENTATION OF SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Statement of Compliance

The accompanying financial statements represent separate financial statements of the Company and have been 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, financial assets at fair value measured through other comprehensive income, 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 principle, which implies that the Company will continue its operations in the foreseeable future. The Company is putting effort into retaining and improving its market position by providing convergent and multimedia services, ICT services, devices and equipment, network modernization, as well as the acquisition of other operators.

The Company constantly generates net profit, closely monitors its liquidity, maturity of liabilities and collection of receivables. The Company generates cash inflows from its operating activities, but it also 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.

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

2.2. Basis of Measurement (Continued)

In these separate financial statements investments in the associates 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 six-month period ended 30 June 2021, prepared in accordance with the International Financial Reporting Standards, where the investment in the associates 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), which is the official functional and reporting currency in Republic of Srpska and Bosnia and Herzegovina.

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

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

	Effective on or after
New standards and amendments to the existing standards effective in the current financial period	
IFRS 9 “Financial Instruments“, IAS 39 “Financial Instruments: Recognition and Measurement“, IFRS 7 “Financial Instruments: Disclosures“, IFRS 4 “Insurance Contracts“ and IFRS 16 “Leases“ - Interest Rate Benchmark Reform (and its impact on financial reporting) – Phase 2	1 January 2021
IFRS 16 “Leases” – Covid-19 Supplement after 30 June 2021	1 April 2021

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

	Effective on or after
New standards and amendments to the existing standards in issue but not yet effective	
IAS 41 “Agriculture“ and examples related to IFRS 16 “Leases“	1 January 2022
IFRS 1 “First-time Adoption of International Financial Reporting Standards“ – Subsidiary – first-time adoption	1 January 2022
IFRS 3 “Business Combinations“ – updating a Reference to the Conceptual Framework	1 January 2022
IFRS 9 “Financial Instruments“ – Test for Derecognition of Financial Liabilities	1 January 2022
IAS 16 “Property, Plant and Equipment“ – Supplements	1 January 2022
IAS 37 “Provisions, Contingent Liabilities and Contingent Assets“ – Supplements	1 January 2022
IAS 1 “Presentation of Financial Statements“ – Supplements to Classification of Liabilities	1 January 2023
IAS 1 “Presentation of Financial Statements“ – Disclosure of Accounting Policies -Supplements	1 January 2023
IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors“ – Supplement to the definition of accounting estimates	1 January 2023
IAS 12 “Income Taxes“ – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 “Insurance Contracts” - Supplements	1 January 2023

The Company’s Management has decided not to adopt these standards, amendments and interpretations prior to their effective date.

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 provided.

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

3.1.1. Income from Fixed-Line Network

Revenue form the telephony traffic (fixed-line network) is recognizedbased upon traffic processed. The telecommunication subscription to fixed-line network is invoiced on a monthly basis, one month in arrears.

Income from the connection of new subscribers to the fixed-line network represents income earned on invoiced fees for the connection of new subscribers 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 Network

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Revenues (Continued)

3.1.4. Income from the Sale of Combined Services

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

If these services are sold under multiple element arrangements, the total transaction price is allocated to the individual performance obligations. As a result, income from the delivered hardware is recognized commensurately to the transaction price as an item within income from the sales of combined services. The transaction price is determined based on the defined prices for individual items, if any, or on the estimated price the 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-line and mobile telecommunication networks rendered in the international telephony traffic are recognized based on the traffic realized and calculated as per the contractually agreed tariffs of the foreign operators via whose network the traffic is realized.

The Company has entered into various agreements on international traffic in fixed-line and mobile network. The respective income/(expenses) and receivables/(payables) arising from these agreements are presented in the accompanying financial statements and are associated with the income and expenses generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculations with the 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 processed throughout the period.

3.1.6. Internet Income

Internet income comprises income from services of 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 network, mobile network, 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, call listings, voicemail and other services. Such income is recorded in the accounting period in which it occurs.

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 that 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. Income Taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The prescribed depreciation / amortization rates are presented below:

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Cost is reduced by all received discounts and/or rebates. . 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

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

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 applied in the first six months of 2021 are as follows:

	Estimated Useful Life (in Years)
Licenses for the use of radio frequency spectrum	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
Computer equipment	4 - 5
Office furniture and other equipment	5 - 8

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

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

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 30 June 2021, 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.

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 is determined based on their content estimates 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.

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 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 fair value through other comprehensive income (FVTOCI).

Financial Liabilities

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

Transaction costs are included in the initial measurement of all financial liabilities other than financial liabilities at FVTPL.

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

Interest payable on the financial liabilities is calculated using the effective interest method. 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.

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

Provisions are comprised of provisions for litigations filed against the Company, determined by discounting the expected future cash flows rate that reflects current market assessment 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*).

4. SIGNIFICANT ACCOUNTING ESTIMATES

Presentation of the separate financial statements requires the Company's management to make the best estimates and reasonable assumptions that influence the assets and liabilities amounts, the disclosure of contingent receivables and liabilities as at the date of preparation of the 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 at 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. Depreciation/amortization rates applicable to the assets are reviewed at least annually, at the end of each financial year, and if there are significant changes in the expected dynamics in the consumption of future economic benefits embodied in an asset, the deprecation/amortization rate is changed to reflect the altered dynamics. Such a change is recorded as a change in the accounting estimates in accordance with IAS/IFRS. Management changes depreciation/amortization rates for asset groups. Changes are submitted by the Management to the Management Board for approval.

Due to the significance of non-current assets in the Company's total assets, any change in the above-mentioned 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 six-month period ended as at 30 June 2021 in an additional (lower) cost of depreciation and amortization by BAM 5,446,067 (comparative figure in 2020: BAM 5,892,772).

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 events as a result of a past events 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 and expenses 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 relevant period.

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 carrying value.

However, in the Republic of Srpska and Bosnia and Herzegovina there is not enough market experience, as well as stability and liquidity in buying and selling receivables and other financial assets and liabilities, since official market information is not available at all time. Hence, the fair value cannot be reliably determined in the absence of an active market. If a quoted price in an active market is unavailable as evidence of the instrument's fair value, the fair value for the same asset or liability is assessed by applying valuation techniques that use available market inputs.

5. SALES OF GOODS AND SERVICES

	In BAM Period ended 30 June 2021	2020
Sales in domestic market:		
Fixed-line network	25,748,761	25,827,786
Mobile network	90,296,257	87,223,666
Integrated services	41,792,657	39,893,541
Internet services	11,596,685	10,672,275
Combined services	19,188,093	17,921,946
Goods	433,274	348,307
ICT and other services	7,469,942	4,839,562
Total sales in domestic market	**196,525,669**	**186,727,083**
International settlements	10,698,633	11,124,246
Sale of licenses, ICT and other services	615,971	30,683
Total international market sales	**11,314,604**	**11,154,929**
Total sales of goods and services	**207,840,273**	**197,882,012**

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

6. OTHER OPERATING INCOME

	In BAM Period ended 30 June 2021	2020
Rental income	1,689,533	1,200,370
Reversal of deferred income (from grants) (*Note 29)*	6,183	6,183
Other income	1,683,559	1,231,781
	3,379,275	**2,438,334**

7. COST OF MATERIALS, MERCHANDISE AND COMBINED SERVICES

	In BAM Period ended 30 June 2021	2020
Materials for combined services	23,173,682	22,253,278
Cost of commercial goods sold	436,261	324,161
Electricity	3,036,774	2,960,311
Fuel and lubricants	543,781	458,896
Other costs of materials	1,087,965	1,186,619
	28,278,463	**27,183,265**

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

8. STAFF COSTS

	In BAM Period ended 30 June 2021	2020
Gross salaries	30,216,517	30,212,761
Remunerations to Management Board and Audit Committee members	139,204	140,719
Retirement benefits	999,449	874,535
Other personal expenses	5,662,631	5,297,251
	37,017,801	**36,525,266**

9. COST OF PRODUCTION SERVICES

	In BAM Period ended 30 June 2021	2020
International settlement costs	10,107,302	9,992,483
Maintenance costs	9,140,915	8,965,977
Rental costs for land and business premises	386,054	338,724
Marketing and advertising costs	7,780,859	5,235,227
Fees for media content transmission	5,130,682	6,951,755
Other production services	8,643,263	8,370,610
	41,189,075	**39,854,776**

10. OTHER OPERATING EXPENSES

	In BAM Period ended 30 June 2021	2020
Indirect taxes and contributions payable	2,035,257	1,896,324
Fees payable to the Communications Regulatory Agency	5,470,524	5,177,570
Losses on retirement and disposal of property, equipment and intangible assets	530	29
Provision costs	-	1,765,304
Other expenses	4,909,569	4,436,992
	12,415,880	**13,276,219**

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

11. FINANCIAL INCOME AND EXPENSES

	In BAM Period ended 30 June 2021	2020
Interest income		
- interest on deposits	2,996	11,198
- other interest	383,994	240,786
	386,990	251,984
Other financial income	1,132	-
Foreign exchange gains	114,334	162,529
Total financial income	502,456	414,513
Interest expenses		
- arising from loan agreements	(3,105,734)	(3,204,342)
- arising from lease liabilities	(534,487)	(587,497)
- other interest	(13,243)	(5,126)
	(3,653,464)	(3,796,965)
Foreign exchange losses	(248,782)	(170,851)
Total financial expenses	(3,902,246)	(3,967,816)
Finance expenses, net	**(3,399,790)**	**(3,553,303)**

12. INTANGIBLE ASSETS

In BAM
30 June 2021 and 31 December 2020

	Licenses for the use of radio frequency spectrum	Other Licenses	Other Intangible Assets	Contract Costs Capitalized	Intangible Assets Under Construction	Total Intangible Assets
Cost						
Balance, 1 January 2020	157,188,477	10,892,764	111,038,495	5,648,118	22,218,084	306,985,938
Additions during the year	-	-	29,690,456	3,631,925	3,749,999	37,072,380
Activations and transfers	-	318,363	3,296,599	-	(3,614,962)	-
Transfer to property and equipment	-	-	-	-	(791,622)	(791,622)
Disposals	-	(146)	(18,707)	-	-	(18,853)
Other	-	-	(7,497,544)	(3,624,601)	-	(11,122,145)
Balance, 31 December 2020	**157,188,477**	**11,210,981**	**136,509,299**	**5,655,442**	**21,561,499**	**332,125,698**
Balance, 1 January 2021	157,188,477	11,210,981	136,509,299	5,655,442	21,561,499	332,125,698
Additions during the period	-	-	19,049,590	3,878,354	830,485	23,758,429
Activations and transfers	-	711,943	2,753,945	-	(3,465,888)	-
Transfer from/to property and equipment	-	-	100,000	-	(65,308)	34,692
Other	-	-	(5,196,651)	(785,396)	-	(5,982,047)
Balance, 30 June 2021	**157,188,477**	**11,922,924**	**153,216,183**	**8,748,400**	**18,860,788**	**349,936,772**
Accumulated amortization						
Balance, 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)
Balance, 31 December 2020	**132,274,839**	**10,080,866**	**89,343,846**	**2,170,280**	**-**	**233,869,831**
Balance, 1 January 2021	132,274,839	10,080,866	89,343,846	2,170,280	-	233,869,831
Charge for the period	935,272	397,023	12,215,655	1,751,229	-	15,299,179
Other	-	-	(5,195,207)	(924,997)	-	(6,120,204)
Balance, 30 June 2021	**133,210,111**	**10,477,889**	**96,364,294**	**2,996,512**	**-**	**243,048,806**
Net Book Value						
30 June 2021	**23,978,366**	**1,445,035**	**56,851,889**	**5,751,888**	**18,860,788**	**106,887,966**
31 December 2020	**24,913,638**	**1,130,115**	**47,165,453**	**3,485,162**	**21,561,499**	**98,255,867**

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 software in the net amount of BAM 11,019,717 and capitalized TV rights in the net amount of BAM 44,553,327.

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.

Intangible assets under construction predominantly refer to the software under construction.

13. RIGHT-OF-USE ASSETS

	In BAM 30 June 2021 and FY 2020 Land and buildings
Balance, 1 January 2020	52,321,161
Additions	7,500,263
Depreciation/amortisation	(12,031,158)
Modification of the lease period	(59,659)
Balance, 31 December 2020	**47,730,607**
Balance, 1 January 2021	47,730,607
Additions	4,325,827
Depreciation/amortisation	(6,166,579)
Modification of the lease period	(61,566)
Balance, 30 June 2021	**45,828,289**

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 accommodating 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.

14. PROPERTY AND EQUIPMENT

In BAM
30 June 2021 and 31 December 2020

	Land	Property and Infrastructure	Leasehold Improvements	Equipment	Fixed Assets Under Construction	Total Fixed Assets
Cost						
Balance, 1 January 2020	1,736,140	821,150,651	3,339,494	695,982,453	73,492,365	1,595,701,103
Additions during the year	-	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	-	-	-	(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)
Balance, 31 December 2020	**1,752,500**	**838,307,136**	**3,810,855**	**693,016,232**	**85,374,711**	**1,622,261,434**
Balance, 1 January 2021	1,752,500	838,307,136	3,810,855	693,016,232	85,374,711	1,622,261,434
Additions	-	596,594	22,917	2,218,079	37,129,040	39,966,630
Activations and transfers	-	12,794,278	274,003	13,978,271	(27,046,552)	-
Transfer from/to intangible assets	-	-	-	70,490	(105,182)	(34,692)
Disposals	-	-	-	(19,662,661)	-	(19,662,661)
Dismantlement	-	-	-	(206,462)	(56,183)	(262,645)
Sales	-	-	-	(251,276)	-	(251,276)
Transfer to assets held for sale	-	-	-	(16,934)	(105,608)	(122,542)
Other	-	-	-	(168,005)	-	(168,005)
Balance, 30 June 2021	**1,752,500**	**851,698,008**	**4,107,775**	**688,977,734**	**95,190,226**	**1,641,726,243**
Accumulated depreciation						
Balance, 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	-	-	-	(453,232)	-	(453,232)
Sales	-	(189)	-	-	-	(189)
Transfer to assets held for sale	-	-	-	(251,977)	-	(251,977)
Other	-	-	-	(1,057)	-	(1,057)
Balance, 31 December 2020	**-**	**545,455,897**	**2,826,187**	**511,052,470**	**-**	**1,059,334,554**
Balance, 1 January 2021	-	545,455,897	2,826,187	511,052,470	-	1,059,334,554
Charge for the period	-	7,286,223	209,867	25,498,825	-	32,994,915
Disposals	-	-	-	(19,662,131)	-	(19,662,131)
Dismantlement	-	-	-	(262,645)	-	(262,645)
Sales	-	-	-	(240,981)	-	(240,981)
Transfer to assets held for sale	-	-	-	(16,934)	-	(16,934)
Other	-	(8)	-	(26,393)	-	(26,401)
Balance, 30 June 2021	**-**	**552,742,112**	**3,036,054**	**516,342,211**	**-**	**1,072,120,377**
Net book value						
30 June 2021	**1,752,500**	**298,955,896**	**1,071,721**	**172,635,523**	**95,190,226**	**569,605,866**
31 December 2020	**1,752,500**	**292,851,239**	**984,668**	**181,963,762**	**85,374,711**	**562,926,880**

14. PROPERTY AND EQUIPMENT (Continued)

As at 30 June 2021, investments in progress mainly related to the purchased telecommunication equipment not yet placed into use. As at 30 June 2021, 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 46,515,103 as at 30 June 2021 (31 December 2020: BAM 45,091,278).

15. INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries in the total amount of BAM 234,438,735 are related to the following 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; *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.

The subsidiary Logosoft d.o.o. Sarajevo was incorporated in 1995 as an information engineering company. Initially, it provided ICT system integration services and two years after the incorporation it became the first Internet provider in Bosnia and Herzegovina. Presently, the subsidiary provides Internet access, telephony and TV services, it is engaged in the sale of computer equipment and it also provides system integration, educational and IT consultancy services.

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

The Company owns 100% of equity interest in Blicnet d.o.o Banja Luka.

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

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

The Company owns 100% of equity interest in Telrad Net d.o.o Bijeljina.

The subsidiary Telrad Net d.o.o. Bijeljina was incorporated in 1990. The company provides services related to public fixed network, VoIP and IP telephony, cable TV, Internet and mobile network.

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

The Company owns 100% of equity interest in Elta-Kabel d.o.o. Doboj.

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

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

The Company owns 100% of equity interest in Financ d.o.o. Banja Luka.

The subsidiary Financ d.o.o. Banja Luka was incorporated in 2002. It is engaged in the mediation in the sale of e-refills and scratch card numbers, USB modems and the conclusion of contracts with potential customers of Mtel services. It additionally provides processing services.

16. INVESTMENTS IN ASSOCIATES

Equity investments in associates amounting to BAM 175,982,972 relate to the cost of equity investments in the companies MTEL d.o.o. Podgorica and *MTEL Global* d.o.o. Belgrade.

As of 30 June 2021, the Company held a 49% of equity interest in MTEL d.o.o. Podgorica, Montenegro, and a 41% of equity interest in *MTEL Global* d.o.o. Belgrade, the Republic of Serbia, which are involved in the provision of telecommunication services.

The total investment in MTEL d.o.o. Podgorica, after the initially agreed amount for the purchase of 49% of shares paid on 1 February 2010, additional capital increases and other costs directly related to the above said transaction, and non-monetary contribution made, amounted to BAM 143,565,421. During this reporting period the Company also recapitalized in the amount of BAM 11,500,280, which did not violate the previously determined ownership structure..

The total investment in *MTEL Global* d.o.o. Belgrade, Serbia, after a non-monetary contribution in the form of a right to a 100% of equity interest in Mtel Austria GmbH, based on which the Company became the owner of 41% of interest, and a recapitalization, totals BAM 32,417,551. During this reporting period the Company also recapitalized in the amount of 2,718,272, which did not violate the previously determined ownership structure.

17. OTHER INVESTMENTS

		In BAM	
	Share	**30 June 2021**	**31 December 2020**
Financial assets measured at fair value through OCI:			
- Nova banka a.d. Banja Luka	0.02%	5,359	5,359
		5,359	5,359
Financial assets measured at amortized cost:			
- Long-term bonds issued by the Republic of Srpska		23,309	23,309
- Centre for International Law and International Business Cooperation Ltd. Banja Luka	22.97%	400	400
		23,709	23,709
		29,068	**29,068**

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.

18. LONG-TERM RECEIVABLES AND LOANS

	In BAM 30 June 2021	31 December 2020
Long-term loans to employees	69,101	71,113
Less: Current portion of long-term loans due within one year *(Note 23)*	(69,101)	(70,157)
Total non-current portion of long-term loans to employees	-	956
Other long-term loans	248,806	265,966
Less: Current portion of long-term loans due within one year	(34,318)	(34,318)
	214,488	231,648
Long-term loans to related parties	680,000	740,000
Less: Current portion of long-term loans due within one year *(Note 23)*	(680,000)	(740,000)
	-	-
Total long-term loans and receivables	**214,488**	**232,604**
Less: Accumulated impairment losses:		
- impairment allowance of long-term loans to employees	(3,602)	(3,753)
- impairment allowance of other long-term loans	(18,601)	(21,196)
	192,285	**207,655**

19. INVENTORIES

	30 June 2021	In BAM 31 December 2020
Material	3,537,701	3,609,127
Goods	165,247	169,379
Material for combined services	10,973,209	12,027,845
Advances paid to suppliers	1,044,870	1,422,228
	15,721,027	**17,228,579**

20. TRADE RECEIVABLES

	In BAM 30 June 2021	31 December 2020
Trade receivables:		
- related parties (Note *36* (a))	21,245,894	13,294,330
- domestic	120,379,760	117,290,895
- foreign	577,598	535,444
Gross trade receivables	**142,203,252**	**131,120,669**
Less: Impairment allowance of trade receivables for expected credit losses	(60,131,216)	(58,043,785)
	82,072,036	**73,076,884**

20. TRADE RECEIVABLES (Continued)

The Company's total gross trade receivables as at 30 June 2021 amount to BAM 142,203,252. 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 value of the impairment allowance of trade receivables as at 30 June 2021 amounts to BAM 60,131,216 and represents 42.29% 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	
	30 June 2021	**31 December 2020**
Dividend receivables	6,865,000	8,840,000
Other receivables	1,393,394	1,117,468
	8,258,394	9,957,468
Less: Impairment allowance of other receivables	(430,308)	(487,466)
	7,828,086	**9,470,002**

22. IMPAIRMENT OF FINANCIAL ASSETS

	In BAM Period 1 January – 30 June 2021 and FY 2020		
	Trade receivables (*Note 20*)	**Other receivables (*Note 21*)**	**Total**
Balance, 1 January 2020	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)	-
Balance, 31 December 2020	**58,043,785**	**487,466**	**58,531,251**
Balance, 1 January 2021	58,043,785	487,466	58,531,251
Charge for the period	2,030,273	-	2,030,273
Other	57,158	(57,158)	-
Balance, 30 June 2021	**60,131,216**	**430,308**	**60,561,524**

23. DEPOSITS AND LOAN RECEIVABLES

	In BAM 30 June 2021	31 December 2020
Short-term deposits	8,159,050	9,939,561
Loans to employees due within one year *(Note 18)*	69,101	70,157
Loans to related parties due within one year *(Note 18)*	680,000	740,000
Other loans due within one year *(Note 18)*	34,318	34,318
Short-term loans to related parties	-	977,916
	8,942,469	**11,761,952**

24. PREPAYMENTS AND ACCRUED INCOME

	In BAM 30 June 2021	31 December 2020
Accrued receivables	1,949,521	1,594,531
Contractual assets	10,479,645	11,588,248
Prepaid expenses	1,131,008	683,652
Deferred input and output advance invoices for the purpose of VAT accrual	3,513,905	3,556,397
	17,074,079	**17,422,828**

Accrued receivables mostly, in the amount of BAM 1,266,142 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 385,229 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 30 June 2021	31 December 2020
Gyro accounts	7,093,759	2,654,611
Foreign currency accounts	1,080,242	2,293,488
Cash on hand	27,862	10,912
Cash equivalents	100,000	100,000
	8,301,863	**5,059,011**

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 30 June 2021 and 31 December 2020 was as follows:

	30 June 2021	In %	31 December 2020	In %
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	12,186,008	2.48	12,861,604	2.62
Other shareholders	91,213,846	18.56	90,538,250	18.42
	491,383,755	**100**	**491,383,755**	**100**

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

The Company's shares are listed on Banja Luka Stock Exchange in Republic of Srpska (active but insufficiently developed financial market). The market value of one share as at 30 June 2021 amounts to BAM 1.14 (31 December 2020: BAM 0.99). Earnings and dividend per share are disclosed in *Note 37* to the separate financial statements.

Legal Reserves

Legal reserves as at 30 June 2021 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 share capital or greater portion of the share capital defined by Company Statute.

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

Other Reserves - Reserves from the Investment Commitment

Other reserves as at 30 June 2021 amounting to 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.

27. INTEREST-BEARING BORROWINGS AND BORROWINGS

	In BAM 30 June 2021	31 December 2020
a) Long-term borrowings:		
- cash borrowings	250,330,982	266,640,282
- borrowings for purchases of equipment	65,981,404	55,980,997
	316,312,386	322,621,279
b) Other long-term liabilities	6,775,594	10,054,397
Total long-term liabilities	**323,087,980**	**332,675,676**
Less: Current portion of long-term liabilities:		
- long-term borrowings	(94,937,861)	(91,905,608)
- other long-term liabilities	(3,350,937)	(3,278,803)
Total current portion of long-term liabilities	**(98,288,798)**	**(95,184,411)**
	224,799,182	**237,491,265**
c) Short-term borrowings:		
- cash borrowings	**3,911,660**	**3,911,660**

The average interest rate accrued on long-term borrowings for the purchase of equipment equals six-month EURIBOR increased by a margin ranging from 0.5% to 1% per annum (2020: six-month EURIBOR increased by a margin ranging from 0.5% to 1% per annum). The interest rate applied to cash loans 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 are presented in the following table:

	In BAM 30 June 2021	31 December 2020
Current portions	98,288,798	95,184,411
From 1 to 2 years	91,581,306	87,776,723
From 2 to 3 years	75,422,720	73,750,780
From 3 to 4 years	34,300,744	49,217,882
From 4 to 5 years	12,270,801	11,751,148
After 5 years	11,223,611	14,994,732
Total non-current portion of borrowings	224,799,182	237,491,265
	323,087,980	**332,675,676**

28. LEASE LIABILITIES

	In BAM 30 June 2021 and FY 2020 Land and buildings
Balance, 1 January 2020	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)
Balance, 31 December 2020	**49,094,709**
Balance, 1 January 2021	49,094,709
New additions	4,325,827
Interest expense (*Note 11*)	534,487
Modification of the lease period	328,510
Liability closing	(6,736,329)
Balance, 30 June 2021	**47,547,204**
Less: Portion of long-term loans due within one year	(11,656,432)
Balance, 30 June 2021	**35,890,772**

The Company recognised lease 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 lease liabilities that the Company would have paid as a lessee if it had borrowed funds, under a similar time 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

	30 June 2021	In BAM 31 December 2020
Grants received	43,285	49,468
Less: Short-term portion of deferred income	(12,367)	(12,367)
	30,918	**37,101**

Movements on deferred income for the six-month period ended 30 June 2021 and FY 2020 were as follows:

	Period ended 30 June 2021	In BAM Year ended 31 December 2020
Balance, 1 January	49,468	61,835
Decrease credited to other income	(6,183)	(12,367)
Balance, end of period/year	**43,285**	**49,468**

30. EMPLOYEE BENEFITS

	30 June 2021	In BAM 31 December 2020
Employee benefits		
- non-current portion	5,918,503	6,144,478
- current portion	664,406	664,406
	6,582,909	**6,808,884**

Long-term provisions for employee benefits as at 30 June 2021 in the amount of BAM 6,582,909 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 jubilee awards are shown in the table below:

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

Given the fact that there were no significant fluctuations in the number of employees or changes to other actuarial assumptions, in the six-month period ended 30 June 2021, the Company updated the above-mentioned actuarial calculation of the present value of the accumulated employee entitlements to retirement benefits and jubilee awards.

Movements on long-term liabilities for employee benefits for the six-month period ended 30 June 2021 and for FY 2020 were as follows:

	Current portion		Non-current portion	In BAM
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Balance, 1 January	664,406	601,786	6,144,478	6,251,144
Charge for the period/year (*Note 10*)	-	62,620	-	350,561
Transfer from/to the current portion	225,975	457,227	(225,975)	(457,227)
Payments during the period/year	(225,975)	(457,227)	-	-
Balance, end of period/year	**664,406**	**664,406**	**5,918,503**	**6,144,478**

31. PROVISIONS

In BAM

	Period ended 30 June 2021	Year ended 31 December 2020
Balance, 1 January	35,000	46,032
Provisions for litigations	-	24,000
Reversal of provisions for litigations	-	(35,032)
Balance, end of period/year	**35,000**	**35,000**

32. TRADE PAYABLES

In BAM

	30 June 2021	31 December 2020
Trade payables:		
- related parties (*Note 36(a))*	11,749,519	5,104,827
- domestic	53,734,331	47,889,284
- foreign	9,832,249	9,403,089
- for uninvoiced investments and services	1,935,005	6,686,078
	77,251,104	**69,083,278**

Trade payables are non-interest bearing. The Company regularly settles its liabilities to suppliers and has financial risk management policies in place in order to ensure that the liabilities are settled within the agreed time lines. The average days payable outstanding in the six-month period ended 30 June 2021 were 118 days (2020: 94 days).

The ageing structure of trade payables over a six-month period ended 30 June 2021 and 31 December 2020 was as follows:

In BAM

	30 June 2021	31 December 2020
From 0 to 30 days	68,102,602	51,133,125
From 31 to 60 days	4,835,540	7,336,402
From 61 to 120 days	2,755,838	6,723,099
From 121 to 180 days	824,587	3,098,912
From 181 to 270 days	549,504	568,718
From 271 to 360 days	183,033	223,022
	77,251,104	**69,083,278**

33. ACCRUALS AND DEFERRED INCOME

	30 June 2021	In BAM 31 December 2020
Deferred income – sales of prepaid top-ups	5,270,527	3,886,610
Accrued liabilities – international traffic	3,530,003	4,500,424
Accrued liabilities – media content distribution/broadcasting	5,659,142	4,130,973
Accrued liabilities per other expenses of the period	11,618,501	8,388,032
Accrued VAT liabilities on advance invoices	3,168,878	3,239,267
Other accruals	204,210	223,025
	29,451,261	**24,368,331**

Accrued liabilities for international traffic totalling BAM 3,530,003 as at 30 June 2021 mostly relate to the estimates of roaming expenses the Company realized with related parties.

Accrued liabilities per other expenses of the period amounting to BAM 11,618,501 as at 30 June 2021 represent expenses of the current 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

	30 June 2021	In BAM 31 December 2020
Advances and prepayments received from customers	1,556,572	1,548,794
Taxes and customs duties charged to expenses	213,483	225,029
Value added tax payable	4,293,354	2,512,166
Liabilities to employees	5,422,258	58
Liabilities for acquiring equity interest	-	671,177
Liabilities for TV rights	14,867,504	11,315,630
Other liabilities	491,337	607,578
	26,844,508	**16,880,432**

35. INCOME TAXES

(a) Components of Income Taxes

	Period ended 30 June 2021	In BAM 2020
Current income tax expense	2,821,668	2,268,337
Deferred tax expense - increase in deferred tax assets	(31,580)	(51,448)
Deferred tax expense - increase in deferred tax liabilities	442,450	(189,408)
	3,232,538	**2,027,481**

35. INCOME TAXES (Continued)

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

	In BAM Period ended 30 June 2021	2020
Profit before tax	32,427,594	18,194,245
	3,242,759	1,819,425
Income tax expense		
Adjustment of expenses/income for:	(446,937)	(1,092)
- Non-taxable income effects	25,846	450,004
- Non-deductible costs effects	410,870	(240,856)
Income tax	**3,232,538**	**2,027,481**
Effective tax rate for the period	9.97%	11.14%

(c) Deferred Tax Assets

	In BAM Period ended 30 June 2021	Year ended 31 December 2020
Temporary differences:		
Balance, 1 January	313,880	259,254
Increase in deferred tax assets	31,580	54,626
Balance, end of the period/year	**345,460**	**313,880**

(d) Deferred Tax Liabilities

	In BAM Period ended 30 June 2021	Year ended 31 December 2020
Temporary differences:		
Balance, 1 January	(1,395,246)	(275,339)
Deferred tax liabilities arising from the measurement of property and equipment for tax purposes	(442,450)	(1,119,907)
Balance, end of the period/year	**(1,837,696)**	**(1,395,246)**

(e) Current Tax Liabilities / Receivables

	In BAM 30 June 2021	31 December 2020
Receivables for overpaid income tax	-	293,083
Current income tax expense	29,969	-
Balance, end of the period/year	**29,969**	**293,083**

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

30 June 2021 — In BAM

	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Capitalised TV rights	13,291,066	-	-	-	13,291,066
Property and equipment	-	-	48,896	-	48,896
Total non-current assets	**13,291,066**	**-**	**48,896**	**-**	**13,339,962**
Trade receivables	6,883,459	8,759,091	4,505,871	1,097,473	**21,245,894**
Interest receivables	-	-	89,359	-	89,359
Dividend receivables	-	6,865,000	-	-	6,865,000
Uninvoiced, calculated income from international settlements	840,679	112,383	176,241	-	1,129,303
Long-term loans	-	-	-	-	-
Short-term loans	-	680,000	-	-	680,000
Other short-term receivables	663	-	-	-	663
Total receivables	**7,724,801**	**16,416,474**	**4,771,471**	**1,097,473**	**30,010,219**
Total	**21,015,867**	**16,416,474**	**4,820,367**	**1,097,473**	**43,350,181**
Trade payables	(9,733,937)	(1,883,748)	(131,834)	-	(11,749,519)
Calculated (estimated) expenses	(3,251,810)	-	(1,641,853)	(310,257)	(5,203,920)
Payables for TV rights	(12,034,804)	-	-	(2,259,946)	(14,294,750)
Dividend payables	(38,347,342)	-	-	-	(38,347,342)
Other payables	(18,757)	(887,042)	(7,618)	-	(913,417)
Total payables	**(63,386,650)**	**(2,770,790)**	**(1,781,305)**	**(2,570,203)**	**(70,508,948)**
Net	**(42,370,782)**	**13,645,683**	**3,039,062**	**(1,472,730)**	**(27,158,767)**

31 December 2020 — In BAM

	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Capitalised TV rights	4,696,373	-	-	7,844,575	12,540,948
Property and equipment	-	-	1,373,579	-	1,373,579
Total non-current assets	**4,696,373**	**-**	**1,373,579**	**7,844,575**	13,914,527
Trade receivables	2,139,395	6,249,561	4,356,637	548,737	13,294,330
Interest receivables	-	-	81,168	-	81,168
Dividend receivables	-	8,840,000	-	-	8,840,000
Uninvoiced, calculated income from international settlements	757,393	53,775	174,577	-	985,745
Long-term loans	-	-	-	-	-
Short-term loans	-	740,000	977,915	-	1,717,915
Other short-term receivables	-	-	-	-	-
Total receivables	**2,896,788**	**15,883,336**	**5,590,297**	**548,737**	**24,919,158**
Total	**7,593,161**	**15,883,336**	**6,963,876**	**8,393,312**	**38,833,685**
Trade payables	(2,951,488)	(1,876,673)	(265,986)	-	(5,094,147)
Calculated (estimated) expenses	(1,516,991)	(322,210)	(2,170,904)	(323,948)	(4,334,053)
Payables for TV rights	(1,881,806)	-	-	(4,121,489)	(6,003,295)
Dividend payables	(15,509,344)	-	-	-	(15,509,344)
Other payables	-	(654,140)	-	-	(654,140)
Total payables	**(21,859,629)**	**(2,853,023)**	**(2,436,890)**	**(4,445,437)**	**(31,594,979)**
Net	**(14,266,468)**	**13,030,313**	**4,526,986**	**3,947,875**	**7,238,706**

36. RELATED PARTY TRANSACTIONS (Continued)

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

Period ended 30 June 2021 — In BAM

	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Income from the sale of goods and services	7,625,316	12,307,432	1,097,810	548,737	21,579,295
Interest income	-	3,308	8,191	-	11,499
Other operating income	25,134	104,918	12,876	-	142,928
Total income	**7,650,450**	**12,415,658**	**1,118,877**	**548,737**	**21,733,723**
Expenses incurred with related parties	(9,239,737)	(2,897,404)	(806,963)	-	(12,944,104)
Total expenses	**(9,239,737)**	**(2,897,404)**	**(806,963)**	**-**	**(12,944,104)**
Net income/(expenses)	**(1,589,287)**	**9,518,254**	**311,914**	**548,737**	**8,789,618**

Period ended 30 June 2020 — In BAM

	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Income from the sale of goods and services	8,400,125	9,305,430	1,111,052	-	18,816,607
Interest income	-	3,157	-	-	3,157
Other operating income	-	48,974	9,010	-	57,984
Total income	**8,400,125**	**9,357,561**	**1,120,062**	**-**	**18,877,748**
Expenses incurred with related parties	(8,089,794)	(2,263,099)	(822,416)	(56,915)	(11,232,224)
Total expenses	**(8,089,794)**	**(2,263,099)**	**(822,416)**	**(56,915)**	**(11,232,224)**
Net income/(expenses)	**310,331**	**7,094,462**	**297,646**	**(56,915)**	**7,645,524**

36. RELATED PARTY TRANSACTIONS (Continued)

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

	In BAM Period ended 30 June 2021	2020
Short-term remunerations to key management personnel:		
- Executive Board	(338,866)	(337,047)
- Management Board	(148,105)	(147,795)
- Audit Committee	(36,190)	(32,197)
	(523,161)	**(517,039)**

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 arm's length transactions. 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

	In BAM Period ended 30 June 2021	2020
Profit for the period	29,195,056	16,166,764
Weighted average number of shares outstanding	491,383,755	491,383,755
Earnings per share (basic and diluted)	0.0594	0.0329

On 21 June 2021 the Company's Assembly passed a Decision on the Distribution of Profit Earned in 2020, based on which the profit was distributed to the shareholders in the amount of BAM 48,212,756 (BAM 0.0981163 of dividend per share).

Liabilities for the remaining unpaid dividends to the shareholders as of 30 June 2021 amounted to BAM 57,240,385 (31 December 2020: BAM 22,995,752).

38. CONTINGENT LIABILITIES

Litigations

The Company is occasionally a defendant in legal suits filed against it by private individuals and legal entities. The estimated contingent liabilities arising from lawsuits filed against the Company as at 30 June 2021 totalled BAM 54,395,142 not including effects of penalty interest and court expenses.

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

The aforementioned belief that the claim directed against the Company is unfounded is based on the fact that in this suit, within legally prescribed proceedings, the competent courts have already established that there had been no unlawfulness on the part of the Company. Management further expects that the final outcome of this dispute will not significantly or materially hinder the financial operations of the Company. Based on the aforesaid facts, the Company has not recorded provisions for the said legal suit nor does it consider any further disclosures in respect thereof necessary.

The Company's management estimates that no material losses shall arise from the outcomes of the ongoing remaining litigations in excess of the amount for which provision has 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 a six-month period ended 30 June 2021 were as follows:

	In BAM	
	30 June 2021	**31 December 2020**
Debt (a)	326,999,640	336,587,336
Cash and cash equivalents	(16,460,913)	(14,998,572)
Net debt	**310,538,727**	**321,588,764**
Equity (b)	667,510,436	686,528,136
Debt-to-equity ratio	46.52%	46.84%

(a) Debt relates to long-term borrowings and current portion of long-term liabilities.
(b) Equity includes share capital, reserves, retained earnings and losses on the financial assets at FVTOCI.

39. FINANCIAL INSTRUMENTS (Continued)

39.1. Capital Risk Management (Continued)

39.1.2. Significant Accounting Policies Regarding Financial Instruments

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

39.2. Categories of Financial Instruments

Categories of financial instruments as at 30 June 2021 and 31 December 2020 are presented in the table below:

		In BAM
	30 June 2021	**31 December 2020**
Financial assets		
Financial assets subsequently measured at amortized cost	107,360,448	99,599,213
Financial assets measured at fair value through other comprehensive income	5,359	5,359
	107,365,807	99,604,572
Financial liabilities at amortized cost	**553,651,293**	**513,780,065**

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.

Over the six-month period ended 30 June 2021, the Company did not enter into transactions with derivative instruments, such as interest rate swaps or forwards.

(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 BAM).

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.

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:

In BAM

	Assets		Liabilities	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**
EUR	13,564,628	9,260,958	189,323,434	197,650,778
USD	363,869	346,707	4,514,203	3,082,050
CHF	1,535	1,550	-	-
GBP	-	2,367	-	-
HRK	2,256	287	-	-
RSD	4,855	5,017	-	-
	13,937,143	9,616,886	193,837,637	200,732,828

Sensitivity Analysis

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

If the exchange rate had been 10% higher/lower, the Company's net profit for the six-month period ended 30 June 2021 would have decreased/increased by the amount of BAM 13,445 (the comparative figure in 2020: BAM 832).

(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. 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 six-month period ended 30 June 2021, 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.

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Financial Risk Management (Continued)

(1) Market Risk (Continued)

(b) Interest Rate Risk (Continued)

Sensitivity Analysis

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

Had interest rates applied to cash loans and loans in kind during the reporting period been higher /lower by 10%, where other variables remained unaltered, the Company's net profit for the six-month period ended 30 June 2021 would have decreased/increased by the amount of BAM 310,573 (the comparative figure in 2020: BAM 320,434) as a result of higher/lower interest expenses.

(c) Equity Price Risk

During the reporting period of six months ended 30 June 2021, the Company was exposed to a risk of price changes of equity securities. The aforementioned investments are held for strategic purposes rather than everyday trading, and they are not actively traded.

(2) Liquidity Risk

Liquidity management is centralized at the Company level. The 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-term and short-term liquidity risk.

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 use 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.

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 30 June 2021 and 31 December 2020 were as follows:

Financial assets — In BAM

30 June 2021	Up to 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Non-interest bearing						
- Loans and receivables (including cash and cash equivalents)	98,541,041	-	-	-	-	98,541,041
Fixed interest rate						
-Fair value at amortised cost	8,193,176	88,395	45,149	105,002	77,216	8,508,938
Total	**106,734,217**	**88,395**	**45,149**	**105,002**	**77,216**	**107,049,979**
31 December 2020						
Non-interest bearing						
- Loans and receivables (including cash and cash equivalents)	89,616,895	-	-	-	-	89,616,895
Fixed interest rate						
-Fair value at amortised cost	9,969,595	89,968	46,105	114,188	94,375	10,314,230
Total	**99,586,490**	**89,968**	**46,105**	**114,188**	**94,375**	**99,931,125**

Financial liabilities — In BAM

30 June 2021	Up to 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Other liabilities at amortized cost						
- Non-interest bearing	136,612,555	13,421,187	16,478,518	13,013,366	132,699	179,658,326
- Instruments at variable interest rate	33,505,943	70,470,533	91,582,886	125,041,808	11,358,488	331,959,658
- Instruments at fixed interest rate	3,206,300	12,776,328	16,051,074	19,138,181	5,920,302	57,092,186
Total	**173,324,799**	**96,668,048**	**124,112,478**	**157,193,356**	**17,411,489**	**568,710,170**
31 December 2020						
Other liabilities at amortized cost						
- Non-interest bearing	88,868,944	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
Total	**113,624,827**	**107,688,596**	**111,780,354**	**173,730,911**	**23,632,306**	**530,456,994**

A breakdown of maturities of financial instruments (assets and liabilities) is made based on the undiscounted cash flows of financial assets and financial liabilities, including interest charged to those assets which will be earned (except from the assets based on which the 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.

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:

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

39. FINANCIAL INSTRUMENTS (Continued)

39.3. Financial Risk Management (Continued)

(3) Credit Risk (Continued)

The following table presents 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.

30 June 2021

	Note	External classification	Internal classification	12-month ECL or lifetime ECL?	Gross exposure	Impairment allowance	Net exposure
Long-term receivables and loans	18	NA	Performing and non-performing	Lifetime	9,156,957	22,203	9,134,754
Trade receivables	20	NA	Performing and non-performing	Lifetime	142,203,252	60,131,216	82,072,036
Other receivables	21	NA	Performing and non-performing		8,258,394	430,308	7,828,086
Cash and cash equivalents	25	NA	Performing		8,301,863	-	8,301,863
Financial assets subsequently measured at amortized cost	17	NA	Performing		23,709	-	23,709
FVTOCI	17	NA	Performing		26,600	21,241	5,359
					167,970,775	**60,604,968**	**107,365,807**

(4) Fair Value

Fair Value of Financial Assets Not Measured at Fair Value

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

	30 June 2021		31 December 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Financial assets at fair value measured at amortized cost	23,309	22,424	23,309	22,424
Total	**23,309**	**22,424**	**23,309**	**22,424**

The assumptions used to estimate current 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.

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).

In BAM

				30 June 2021
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through OCI (*Note 17*)	5,359	-	-	5,359
Total	**5,359**	**-**	**-**	**5,359**

Total gains stated 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*).

40. SEGMENT REPORTING

40.1. Segment information

As at 30 June 2021, the Company's reporting segments in accordance with IFRS 8, were as follows:

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

40.2. Segment Revenues and Results

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

In BAM

30 June 2021	Fixed-Line network	Mobile network	Total
Sales of goods and services	84,843,931	122,996,342	207,840,273
Other operating income	1,379,420	1,999,855	3,379,275
Inter-segment settlement	34,243,420	14,176,968	48,420,388
Cost of materials, merchandise and combined services	(4,948,867)	(23,329,596)	(28,278,463)
Staff costs	(15,110,666)	(21,907,135)	(37,017,801)
Depreciation and amortization charge	(30,814,887)	(23,645,785)	(54,460,672)
Cost of production services	(23,809,906)	(17,379,169)	(41,189,075)
Other operating expenses	(4,002,631)	(8,413,249)	(12,415,880)
Financial income – interest income	157,969	229,021	386,990
Financial income – other financial income	47,133	68,333	115,466
Impairment of financial assets	(828,758)	(1,201,515)	(2,030,273)
Financial expenses	(1,592,897)	(2,309,349)	(3,902,246)
Inter-segment settlement	(14,176,968)	(34,243,420)	(48,420,388)
Profit before taxes	**25,386,293**	**7,041,301**	**32,427,594**
Income tax expense	(2,530,627)	(701,911)	(3,232,538)
Net profit	**22,855,666**	**6,339,390**	**29,195,056**

40. SEGMENT REPORTING (Continued)

40.2. Segment Revenues and Results (Continued)

The segment revenues and results for the six-month period ended 30 June 2020 are presented in the following table:

In BAM

30 June 2020	Fixed-Line network	Mobile network	Total
Sales of goods and services	77,925,862	119,956,150	197,882,012
Other operating income	960,216	1,478,118	2,438,334
Inter-segment settlement	34,166,722	13,576,943	47,743,665
Cost of materials, merchandise and combined services	(4,546,046)	(22,637,219)	(27,183,265)
Staff costs	(14,383,650)	(22,141,616)	(36,525,266)
Depreciation and amortization charge	(33,004,047)	(25,923,673)	(58,927,720)
Cost of production services	(23,529,487)	(16,325,289)	(39,854,776)
Other operating expenses	(4,195,818)	(9,080,401)	(13,276,219)
Financial income – interest income	99,231	152,753	251,984
Financial income – other financial income	64,004	98,525	162,529
Impairment of financial assets	(1,104,826)	(1,700,726)	(2,805,552)
Financial expenses	(1,562,526)	(2,405,290)	(3,967,816)
Inter-segment settlement	(13,576,943)	(34,166,722)	(47,743,665)
Profit before taxes	**17,312,692**	**881,553**	**18,194,245**
Income tax expense	(798,422)	(1,229,059)	(2,027,481)
Net profit	**16,514,270**	**(347,506)**	**16,166,764**

Segment revenues and results reported above (for the six-month periods ended 30 June 2021 and 30 June 2020) 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.

40. SEGMENT REPORTING (Continued)

40.3. Segment Capital Expenditures

Capital expenditures of the segments during six-month periods ended 30 June 2021 and 30 June 2020 were as follows:

In BAM

	Fixed-Line network	Mobile network	Total
30 June 2021			
Capital expenditures (*Notes 12, 13 and 14)*	42,469,970	25,519,350	**67,989,320**
30 June 2020			
Capital expenditures (*Notes 12, 13 and 14)*	48,884,635	11,508,124	**60,392,759**

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

41. TAX 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 and other 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 overall.

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 have a significant impact onthe operations of all business entities.

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

43. EXCHANGE RATES

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

		In BAM
	30 June 2021	**31 December 2020**
Euro (EUR)	1.95583	1.95583
Serbian Dinar (RSD)	0.01664	0.01663
American Dollar (USD)	1.64521	1.59257
Swiss Franc (CHF)	1.78370	1.80145

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