“MTEL” a.d. BANJA LUKA

Separate Financial Statements
For the Year Ended 31 December 2023
and
Independent Auditor’s Report

CONTENTS

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

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 accompanying separate financial statements of "Mtel" a.d. Banja Luka (hereinafter the "Company"), which comprise the separate statement of financial position as at 31 December 2023 and the separate statement of profit and loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2023, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (Continued)

Key Audit Matter		Audit procedures applied
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 in the year ended 31 December 2023.		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.	**Recognition of income from the sale of investments in subsidiaries, Notes 6 and 15 to the separate financial statements**	
This key audit matter was selected because it involves significant transactions that were not common in the Company's business. Based on the procedures performed, we did not identify significant findings in relation to this key audit matter.		We reviewed the documentation related to the establishment of the subsidiary Sky towers infrastructure d.o.o. Banja Luka, as well as documentation related to the increase in the founding capital of this subsidiary by transferring the company's material assets. We compared the recorded fee with the contract for the purchase and sale of 100% of shares in the company Sky towers infrastructure d.o.o. Banja Luka, where the shares were sold. We also reviewed the calculation of the capital gain from the sale of shares, as well as compliance with the agreed payment dynamics for the transfer of shares.

(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 13 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.	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.
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 year ended 31 December 2023.	

(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 31 December 2023 and for the year ended that day were audited and we expressed an unqualified opinion in our auditor's report dated 15 April 2024. 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.

(Continued)

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.

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

Tibor Florjan
Certified auditor and
Authorised representative of

Drustvo za konsalting i reviziju BDO d.o.o.
Ive Andrica 15, Banja Luka
15 April 2024

SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2023
(In BAM)

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Sales of goods and services	5	456,346,875	438,454,205
Other operating income	6	303,014,255	26,442,773
Cost of material, goods and combined services	7	(42,689,491)	(52,419,979)
Staff costs	8	(81,845,733)	(75,051,980)
Depreciation and amortization charge	12,13,14,19	(115,578,722)	(117,683,537)
Cost of production services	9	(88,201,334)	(85,040,398)
Other operating expenses	10	(33,470,231)	(32,207,657)
Finance income – interest income	11	938,212	594,846
Finance income – other finance income	11	597,640	995,528
Impairment of financial assets	23	(2,444,451)	(2,205,241)
Financial expenses	11	(26,635,474)	(9,526,074)
Profit before taxes		**370,031,546**	**92,352,486**
Income tax expense	37 (a)	(37,641,553)	(10,083,449)
Net profit		**332,389,993**	**82,269,037**
Other comprehensive income, net of income taxes:			
(a) Items that may be subsequently reclassified to profit or loss:			
Revaluation reserves - actuarial gains	32	291,573	2,318
Total other comprehensive income, net of income tax		291,573	2,318
Total comprehensive income for the period		**332,681,566**	**82,271,355**
Earnings per share:			
Basic and diluted earnings per share	39	0.6764	0.1674

The accompanying separate financial statements of the Company were approved for issuance by the Management Board of "Mtel" a.d. Banja Luka on 29 February 2024.

Signed on behalf of the Company by:

Jelena Trivan, Ph.D.,
CEO

L.S.

Dejan Jokic
Executive Director of Finance

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

SEPARATE STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(In BAM)

	Notes	31 December 2023	31 December 2022
ASSETS			
Long-term assets			
Intangible assets	12	106,667,441	113,319,368
Property and equipment	13	642,533,828	632,049,064
Right-of-use assets	14	35,020,098	36,481,160
Investments in subsidiaries	15	256,271,579	239,701,599
Investments in associates	16	183,610,709	183,610,709
Long-term receivables and loans	17	1,193,099	1,471,819
Other investments	18	400	2,047
Long-term assets based on the acquisition of contracts with customers	19	8,528,841	9,611,201
Other long-term receivables and assets		41,021,372	-
Deferred tax assets	37 (в)	1,395,541	498,169
		1,276,242,908	1,216,745,136
Current assets			
Inventories	20	15,118,968	11,748,611
Assets held for sale		-	786
Trade receivables	21	363,747,532	83,167,974
Receivables for overpaid income tax	37 (д)	-	681,488
Other receivables	22	5,329,775	4,556,889
Deposits and loan receivables	24	2,246,688	1,232,688
Prepayments	25	14,878,860	18,567,609
Cash and cash equivalents	26	20,049,874	19,548,771
		421,371,697	139,504,816
Total assets		**1,697,614,605**	**1,356,249,952**
EQUITY AND LIABILITIES			
Equity			
Share capital	27	491,383,755	491,383,755
Mandatory reserves	27	49,141,766	49,141,766
Revaluation reserves – actuarial gains/(losses)		273,537	(18,036)
Other reserves – reserves arising on the commitment to invest	27	97,791,500	97,791,500
Retained earnings		374,973,648	42,583,655
		1,013,564,206	680,882,640
Long-term liabilities and provisions			
Borrowings and other long-term liabilities	28	165,299,702	197,270,739
Lease liabilities	29	24,082,245	26,304,476
Liabilities for TV content distribution rights	30	19,249,632	30,737,198
Deferred income	31	-	12,367
Employee benefits	32	5,658,134	6,045,386
Provisions	33	438,602	49,106
Deferred tax liabilities	37 (г)	11,735,919	6,980,812
		226,464,234	267,400,084
Current liabilities			
Borrowings and other short-term liabilities	28	74,935,522	65,431,927
Lease liabilities	29	12,562,345	11,798,910
Liabilities for TV content distribution rights	30	26,346,463	25,159,412
Trade payables	34	165,455,644	146,576,471
Accruals	35	39,682,629	34,249,728
Employee benefits	32	1,195,550	795,027
Provisions		3,405,162	2,905,906
Deferred income	31	12,367	12,367
Dividend payable	39	92,353,568	109,012,126
Income taxes payables	37 (д)	27,588,643	-
Other liabilities	36	14,048,272	12,025,354
		457,586,165	407,967,228
Total equity and liabilities		**1,697,614,605**	**1,356,249,952**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2023
(In BAM)

	Share Capital	Mandatory Reserves	Other reserves - reserves arising from the commitment to invest	Revaluation reserves - actuarial (losses)/gains	Retained earnings	Total
Balance, 1 January 2022	**491,383,755**	**49,141,766**	**97,791,500**	**(20,354)**	**45,106,862**	**683,403,529**
Net profit for the year	-	-	-	-	82,269,037	82,269,037
Total other comprehensive income for the year	-	-	-	2,318	-	2,318
Total comprehensive income for the year	**-**	**-**	**-**	**2,318**	**82,269,037**	**82,271,355**
Profit distribution:						
Dividend paid to shareholders	-	-	-	-	(45,106,862)	(45,106,862)
Interim dividend paid to shareholders	-	-	-	-	(39,685,382)	(39,685,382)
Balance, 31 December 2022	**491,383,755**	**49,141,766**	**97,791,500**	**(18,036)**	**42,583,655**	**680,882,640**
Net profit for the year	-	-	-	-	332,389,993	332,389,993
Total other comprehensive income for the year	-	-	-	291,573	-	291,573
Total comprehensive income for the year	**-**	**-**	**-**	**291,573**	**332,389,993**	**332,681,566**
Profit distribution						
Dividend paid to shareholders	-	-	-	-	-	-
Interim dividend paid to the shareholders	-	-	-	-	-	-
Balance, 31 December 2023	**491,383,755**	**49,141,766**	**97,791,500**	**273,537**	**374,973,648**	**1,013,564,206**

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

SEPARATE STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2023
(In BAM)

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash flows from operating activities		
Cash receipts from customers and prepayments	431,902,446	417,071,434
Other cash receipts from regular operations	2,792,825	2,715,895
Cash paid to suppliers - purchases of material, fuel, energy and other expenses	(124,697,984)	(105,994,831)
Cash paid to and on behalf of employees	(82,105,510)	(75,200,611)
Interest paid	(16,351,198)	(7,429,980)
Income taxes paid	(4,924,396)	(8,066,628)
Other taxes and duties paid	(16,869,925)	(18,228,571)
Net cash generated by operating activities	**189,746,258**	**204,866,708**
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(93,747,903)	(74,036,636)
Proceeds from sale of property, equipment and intangible assets	200,243	487,259
Interest received	773,879	592,709
Inflows from long-term financial investments	(2,500,000)	-
Inflows from short-term financial investments	1,000,000	1,130,358
Outflows from purchasing shares and stakes	(15,145,812)	(4,107,243)
Proceeds from dividends	-	2,350,000
Inflows from other long-term financial investments	770,079	459,337
Net cash used in investing activities	**(108,649,514)**	**(73,124,216)**
Cash flows from financing activities		
Inflows from long-term borrowings	15,135,812	185,958,446
Outflows from long-term financial liabilities	(67,310,317)	(264,109,267)
Outflows for lease liabilities	(12,353,918)	(12,444,374)
Dividend and interim dividend payments to the shareholders	(16,067,218)	(37,761,113)
Net cash used in financing activities	**(80,595,641)**	**(128,356,308)**
Net increase in cash and cash equivalents	**501,103**	**3,386,184**
Cash and cash equivalents at the beginning of the year	19,548,771	16,162,587
Cash and cash equivalents at the end of the year	**20,049,874**	**19,548,771**

Notes on the following pages form an
integral part of these separate 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: Vuka Karadzica 2. 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 31 December 2023, the Company had equity interest in subsidiaries in accordance with the structure below:

SUBSIDIARIES	Interest	
Logosoft d.o.o. Sarajevo, Bosnia and Herzegovina	100%	Company
Blicnet d.o.o. Banja Luka, Bosnia and Herzegovina	100%	Company
Financ d.o.o. Banja Luka, Bosnia and Herzegovina	100%	Company
TRION TEL d.o.o. Banja Luka, Bosnia and Herzegovina	100%	Company

Pursuant to the Decision of the District Commercial Court in Banja Luka, a status change of merger by acquisition of the companies *Elta-Kabel d.o.o. Doboj* and *Telrad Net d.o.o. Bijeljina* by the acquirer, *Blicnet d.o.o. Banja Luka,* was recorded in the Court's Business Entities Register on 12 September 2022. The acquirer, *Blicnet d.o.o. Banja Luka,* continued to perform all the activities it had been performing until the merger date, as well as the activities performed by the merged companies.

The Company has founded a new company Sky Towers Infrastructure d.o.o. domiciled in Banja Luka. On 16 May 2023, based on the decision of the District Commercial Court in Banja Luka, the company Sky Towers Infrastructure d.o.o. Banja Luka has been registered in the Court's Business Entities Register. The subsidiary Sky Towers Infrastructure d.o.o. Banja Luka is registered for providing wireless telecommunications activities. In accordance with the strategic decision of the Company, a sales and transfer agreement for 100% ownership interest in the subsidiary Sky Towers Infrastructure d.o.o. Banja Luka has been concluded. Based on the aforementioned, the change of ownership in the company Sky Towers Infrastructure d.o.o. Banja Luka was registered in the Register of Business Entities on December 12, 2023.

The purchase and sale agreement with TRION TEL d.o.o. Banja Luka was concluded on July 17, 2023. On July 27, the Agreement on the transfer of 100% ownership interest in the company was concluded, which serves as the basis for registering the change of ownership in the business entity register of TRION TEL d.o.o. Banja Luka, making Mtel a.d. Banja Luka the owner of 100% ownership interest in TRION TEL d.o.o. Banja Luka.

As at 31 December 2023, the Company had had equity interest in associates according to the following structure:

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

As at 31 December 2023, the Company had 2,051 employees (31 December 2022: 2,064 employees).

The Company's principal activity is the provision of public telecommunication services the most significant of which is public telephone service in fixed and mobile telecommunication networks. In addition, the Company offers other telecommunication services, which include Internet access services, leased lines, data network access services (mobile Internet) and signal transmission services for the purpose of distributing audio-visual media services (satellite television, IPTV, value-added services). The Company also provides services in the field of the telecommunication infrastructure leasing, management and security.

As at 31 December 2023, the Company provided telecommunication services to the total number of 1,708,236 users (31 December 2022: 1,777,848 users).

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

1. CORPORATE INFORMATION (Continued)

The CEO of the Company, as at 31 December 2023, is Jelena Trivan, Ph.D.

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

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

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

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

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 are 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, which are measured at fair value, as further explained in accounting policies for financial instruments.

Historical cost is generally based on the fair value of consideration paid in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Upon estimating the fair value of assets or liabilities, the Company takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date.

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

The Company continuously generates net profit, closely monitors 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 will be sufficient for the Company to meet its contractual obligations in 2023.

As disclosed in *Notes 1 and 16* to the separate financial statements, the Company “Mtel” a.d. Banja Luka has a stake 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 there is no 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 year ended 31 December 2023, 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 the Republic of Srpska and Bosnia and Herzegovina.

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

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

	Effective on or after
New standards and amendments to the existing standards effective in the current financial period	
IAS 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

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 1 "Presentation of Financial Statements" – Supplements to Classification of Long-term and Short-term Liabilities	1 January 2024
IAS 1 "Presentation of Financial Statements" – Supplements of Short-term Liabilities and Covenants	1 January 2024
IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplements to Supplier Finance Arrangements	1 January 2024
IFRS 16 "Leases" – Supplements of Lease Liability in a Sale and Leaseback Transactions	1 January 2024

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 rendered service. Sales income mainly consists of charges to customers for calls from the fixed and mobile networks, monthly subscription fees charged for providing access services (internet access service, fixed and mobile phone service, integrated services), revenue from the sale of related services, interconnection, and other similar services.

3.1.1. Income from Fixed Network Services

Revenue from the telephony traffic (fixed network) is based on the realized traffic. The subscription to fixed network is invoiced monthly, one month in arrears. Income from the connection of new subscribers to the fixed network represents income earned on invoiced fees for the connection of new subscribers. The revenue for new customer connections is recorded in the period in which the user is connected.

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

Income from signal transmission services for the purpose of distribution of audiovisual media services represents the income generated from monthly subscriptions for the provision of satellite television and IPTV services, from the connection of the aforementioned services, as well as from other additional services.

3.1.2. Income from Mobile Network

Income from the provision of mobile telecommunication services is mainly related to revenues generated from using the mobile telephony service (voice traffic, text messages) and the data transfer service (mobile Internet), which can be *prepaid* or *postpaid*, as well as to the income from the connection of new subscribers and other additional services.

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

Income from prepaid usage services is recognized upon sale of the prepaid top-ups and deferred for the 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)

3.1.3. Income from Integrated Services

Income from integrated services represents revenue from the integrated offer of fixed telephony services, mobile telephony, Internet access services via fixed and/or mobile networks, IPTV services and satellite television services, which are organized into appropriate service packages containing from two to four of the listed telecommunication services.

3.1.4. Income from Internet Access Services

Income from Internet access services includes income from services of providing Internet access through a fixed network, which is realized through an access network using ADSL, VDSL or GPON technologies, and income from direct Internet access, which is achieved by providing users with a link for Internet access for certain speeds, with a specific range of public IP addresses, DNS hosting domains with or without internet domain registration, and technical support.

3.1.5. Income from the Sale of Combined Services

Income generated from the sale of hardware packages as part of the use of public telecommunications services is shown under the item revenues from the sale of combined services, and are recognized at the time of sale, i.e., when the hardware package is handed over to the service user and when all associated costs are recognized in the Statement of Profit or Loss.

If these services are sold under multiple element arrangements, the total transaction price is allocated to the individual performance obligations. As the result, income from the delivered hardware is recognized on 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.

3.1.6. Income and Expenses from International Settlements

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

The Company has entered into various agreements on international traffic in fixed 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 earned income or incurred expenses is recorded based on 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 (payable) may be incurred, a full provision is recognized, in instances where such an estimate is possible. When it is not possible to estimate the extent of a liability, an appropriate disclosure is made.

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

3.1.7. Other Income

Other income includes revenues from other telecommunication services, such as rental of telephony capacities – lines, call listings, voice mail services, etc., and revenues from activation of own work, related to the costs of salaries of employees working on network construction, as well as capital investment projects. These revenues are recorded in the period in which they originate.

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 and estimated costs of dismantling, location reinstating or bringing the assets into the original state, unless such costs are non-material.

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

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

A short-term lease is the 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 Currency

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

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

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

3.4. Corporate Income Taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Corporate Income Taxes (Continued)

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

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

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

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

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

The prescribed depreciation / amortization rates are presented below:

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

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

3.5. Intangible Assets

Intangible assets include telecommunication licenses, software, and other licenses.

Telecommunication licenses, purchased computer software, and other licenses are recorded at cost less accumulated amortization and accumulated impairment losses, if any.

Cost of an item of intangible assets comprises its purchase price billed by suppliers, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the asset to the condition for its intended use. The cost is reduced by all received discounts and/or rebates.

Telecommunication licenses are amortized on a straight-line basis over their useful lives as delineated under IAS 38 ”Intangible Assets”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Property and Equipment

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

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

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

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

3.7. Long-term Assets based on the Acquisition of Customer Contracts

Long-term assets based on the acquisition of contracts with customers arise from the costs of executing or obtaining the contract, which, in accordance with IFRS 15, are capitalized and recognized during the average duration of the contract with the customer.

3.8. Depreciation and Amortization

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

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

The prescribed depreciation/amortisation rates applied to certain groups of property, equipment and intangible assets for the year ended 31 December 2023 are as follows:

	Depreciation/amortization rates (%)
Licences for the use of radio frequency spectrum	6.67%
Licenses and application software	6.67% - 20%
Buildings	1% - 12.50%
Antenna masts	1% - 2%
Distribution network and channelling	1%
Switching systems and service platforms	5% - 33.33%
Transport network	3.33% - 25%
Wireless access network	6.67% - 20%
Access network equipment and terminal equipment	1% - 25%
Computer equipment	3.33% - 25%
Office equipment and other equipment	6.67% - 20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Long-term Assets Held for Sale

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

Long-term assets or disposal groups classified as held for sale are carried at the lower of their previous carrying amount and fair value less cost to sell.

3.10. Impairment of Non-Financial Assets

At each statement of financial position date, the Company's management reviews the carrying amounts of the Company's non-financial assets (other than inventory and deferred tax assets) 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 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 recognized as income immediately.

As at 31 December 2023 in the management's opinion, there were no indications that the value of the Company's intangible assets, property, and equipment had suffered impairment.

3.11. Investments in Subsidiaries

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

Under IFRS 10 "*Consolidated Financial Statements"*, the 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 the control over its subsidiaries in instances of certain facts and circumstances indicating that any of the above listed three elements of control has changed.

When the Company has less than 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. 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.

3.13. Financial Instruments

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

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

Financial Assets

Financial assets are recognized 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)

3.13. 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 obvious 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, paid advances, 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 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 fair value through profit or loss (FVTPL).

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. 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 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.

3.15. Provisions

Provisions are recognized and calculated when the Company has a legal or contractual obligation as the 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 consist of provisions for litigations filed against the Company, determined by discounting the expected future cash flows that reflects current market assessment and the risks specific to the liability.

3.16. 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 (Severance Pays) 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 obliged 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.

3.17. 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 42*).

4. SIGNIFICANT ACCOUNTING ESTIMATES

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

During the reporting period, the Company's Board of Directors adopted a change in depreciation/amortization rates, which has been applied since July 1, 2023. The effect of the change in depreciation/amortization rates for the period ended 31 December 2023 resulted in a reduction of depreciation expenses in the amount of BAM 2,443,003.

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 operating results. For example, if the Company were to shorten/prolong the average useful life of assets by 10%, this would have resulted in the year ended 31 December 2023 in an additional (lower) cost of depreciation by BAM 11,557,872 (comparative figure in 2022: BAM 11,768,354).

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 21, 22, and 23).*

Provisions

Provisions in general are highly judgmental. The Company assesses the probability of adverse events as the result of 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 33).*

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 and settlement. A portion of the earned income or incurred expenses is recorded based on an estimate made in accordance with the internal settlements for realized traffic (*Notes 25 and 35*). Management believes that the internal calculations/accounts of international traffic are adequate and that they reflect the realized international traffic in the corresponding 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, nor 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 For the year ended 31 December 2023	2022
Sales in the domestic market:		
Fixed line network services	48,034,019	48,369,360
Mobile line network services	206,878,272	200,158,598
Integrated services	99,924,835	89,356,528
Internet access services	29,227,967	25,875,196
Combined services	31,625,096	35,239,802
Goods	1,093,846	1,086,518
ICT and other services	10,259,548	9,458,634
Total sales in the domestic market	**427,043,583**	**409,544,636**
Income from international settlements	28,538,383	27,669,285
Income from sales of licences, goods, ICT and other services	764,909	1,240,284
Total international market sales	**29,303,292**	**28,909,569**
Total sales of goods and services	**456,346,875**	**438,454,205**

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

6. OTHER OPERATING INCOME

	In BAM For the year ended 31 December 2023	2022
Rental income	2,977,283	3,295,656
Reversal of deferred income from grants – (*Note 31)*	12,367	12,367
Other income	300,024,605	23,134,750
	303,014,255	**26,442,773**

Other income mostly relates to income from sale of investments in the subsidiary Sky Towers Infrastructure d.o.o. Banja Luka.

7. COST OF MATERIAL, GOODS AND COMBINED SERVICES

	In BAM For the year ended 31 December 2023	2022
Material for combined services	29,622,665	40,808,735
Cost of commercial goods sold	953,475	988,785
Electricity	8,335,420	6,795,193
Fuel and lubricants	1,456,455	1,618,174
Other costs of material	2,321,476	2,209,092
	42,689,491	**52,419,979**

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

8. STAFF COSTS

	In BAM For the year ended 31 December 2023	2022
Gross salaries	65,060,831	61,214,958
Remunerations to Management Board and Audit Committee	324,286	304,448
Retirement benefits	628,461	751,155
Other personal expenses	15,832,155	12,781,419
	81,845,733	**75,051,980**

9. COST OF PRODUCTION SERVICES

	In BAM For the year ended 31 December 2023	2022
International settlement costs	25,323,155	24,798,772
Maintenance costs	18,728,667	18,502,205
Rental costs-lease of land and business premises	657,270	538,544
Marketing and advertising costs	16,463,158	17,253,322
Fees for media content transmission	6,278,379	4,343,369
Other production services	20,750,705	19,604,186
	88,201,334	**85,040,398**

10. OTHER OPERATING EXPENSES

	In BAM For the year ended 31 December 2023	2022
Indirect taxes and contributions which do not depend on the business result	5,392,599	4,784,449
Communications Regulatory Agency fees	11,014,435	10,479,454
Losses on disposal of property, equipment and intangible assets	1,594,386	5,181,931
Shortages	731	25,478
Provisions	1,531,673	798,986
Other expenses	13,936,407	10,937,359
	33,470,231	**32,207,657**

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

11. FINANCE INCOME AND EXPENSES

	In BAM For the year ended 31 December 2023	2022
Interest income		
- interest on deposits	25,503	21,097
- other interest income	912,709	573,749
	938,212	594,846
Foreign exchange gains	597,640	995,528
	597,640	995,528
Total finance income	**1,535,852**	**1,590,374**
Interest expenses		
- arising from loan agreements	(15,683,664)	(6,777,500)
- arising from liabilities for right-of-use assets	(931,016)	(936,737)
- other interest expenses	(8,933,123)	(451,488)
	(25,547,803)	(8,165,725)
Foreign exchange losses	(1,087,671)	(1,360,349)
Total finance expenses	**(26,635,474)**	**(9,526,074)**
Finance expenses, net	**(25,099,622)**	**(7,935,700)**

12. INTANGIBLE ASSETS

In BAM
31 December 2023 and 31 December 2022

	Licenses for the use of radio frequency spectrum	Other Licenses	Other intangible assets	Intangible Assets under construction	Total Intangible Assets
Cost					
Balance, 1 January 2022	157,188,477	12,011,901	186,901,070	22,328,606	378,430,054
Additions	-	290,897	23,190,336	132,018	23,613,251
Transfer (from) / to	-	3,396	14,896,237	(14,899,633)	-
Transfer to property and equipment	-	-	-	(1,430,349)	(1,430,349)
Write-offs and disposals	-	(782,090)	(10,411,507)	-	(11,193,597)
Balance, 31 December 2022	**157,188,477**	**11,524,104**	**214,576,136**	**6,130,642**	**389,419,359**
Balance, 1 January 2023	157,188,477	11,524,104	214,576,136	6,130,642	389,419,359
Additions	-	60,610	29,830,297	-	29,890,907
Transfer (from) / to	-	1,398,507	7,210,303	(8,608,810)	-
Transfer from property and equipment	-	-	1,494,026	4,394,976	5,889,002
Write-offs and disposals	-	(67,805)	(9,219,651)	-	(9,287,456)
Balance, 31 December 2023	**157,188,477**	**12,915,416**	**243,891,111**	**1,916,808**	**415,911,812**
Accumulated Amortization					
Balance, 1 January 2022	134,145,382	10,800,389	105,597,902	-	250,543,673
Amortization expense	1,870,543	479,203	34,400,169	-	36,749,915
Write-offs and disposals	-	(782,090)	(10,411,507)	-	(11,193,597)
Balance, 31 December 2022	**136,015,925**	**10,497,502**	**129,586,564**	**-**	**276,099,991**
Balance, 1 January 2023	136,015,925	10,497,502	129,586,564	-	276,099,991
Amortization expense	1,870,543	547,372	37,747,173	-	40,165,088
Write-offs and disposals	-	(67,805)	(6,952,903)	-	(7,020,708)
Balance, 31 December 2023	**137,886,468**	**10,977,069**	**160,380,834**	**-**	**309,244,371**
Net book value					
31 December 2023	**19,302,009**	**1,938,347**	**83,510,277**	**1,916,808**	**106,667,441**
31 December 2022	**21,172,552**	**1,026,602**	**84,989,572**	**6,130,642**	**113,319,368**

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 relate to the software with a net value of BAM 38,914,454 and the right to distribute TV content in a net value of BAM 43,477,451.

During the reporting period, the Company activated own work capitalised within intangible assets in the total amount of BAM 1,165,613.

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

13. PROPERTY AND EQUIPMENT

In BAM

31 December 2023 and 31 December 2022

	Land	Property and infrastructure	Leasehold Improvements	Equipment	Fixed assets Under Construction	Total fixed assets
Cost						
Balance, 1 January 2022	1,773,616	869,925,554	3,934,940	691,094,177	81,580,016	1,648,308,303
Additions	880	9,535,735	127,352	11,308,268	85,467,403	106,439,638
Transfer (from) / to	-	16,071,805	436,591	55,344,082	(71,852,478)	-
Transfer from intangible assets	-	-	-	-	1,430,349	1,430,349
Write-offs and disposals	-	(202,311)	(109,467)	(35,801,500)	(3,843,317)	(39,956,595)
Dismantlement	-	-	-	(528,041)	(160,017)	(688,058)
Reclassification to assets held for sale	-	(60,916)	-	(677,382)	(87,653)	(825,951)
Other changes	-	(235,633)	(6,000)	241,633	-	-
Balance, 31 December 2022	**1,774,496**	**895,034,234**	**4,383,416**	**720,981,237**	**92,534,303**	**1,714,707,686**
Balance, 1 January 2023	1,774,496	895,034,234	4,383,416	720,981,237	92,534,303	1,714,707,686
Additions	-	10,607,669	123,646	19,038,043	75,301,208	105,070,566
Transfer (from) / to	685	10,819,586	41,920	70,809,311	(81,671,502)	-
Transfer to non-monetary contribution	(165,533)	(77,648,720)	-	(3,642,338)	(253,286)	(81,709,877)
Transfer to intangible assets	-	-	-	-	(5,889,002)	(5,889,002)
Transfer to contract acquisition costs	-	-	-	-	(237,928)	(237,928)
Write-offs and disposals	-	(151,332)	(307,018)	(36,118,300)	(504,603)	(37,081,253)
Dismantlement	-	-	-	(637,552)	27,750	(609,802)
Reclassification to assets held for sale	-	-	-	(293,185)	(48,000)	(341,185)
Other changes	2,000	(4,359)	-	(5,704)	-	(8,063)
Balance, 31 December 2023	**1,611,648**	**838,657,078**	**4,241,964**	**770,131,512**	**79,258,940**	**1,693,901,142**
Accumulated Amortization						
Balance, 1 January 2022	-	556,593,612	3,010,009	498,350,465	-	1,057,954,086
Amortization expense	-	9,386,956	457,213	50,804,184	-	60,648,353
Write-offs and disposals	-	(150,720)	(109,468)	(34,509,318)	-	(34,769,506)
Dismantlement	-	-	-	(688,058)	-	(688,058)
Reclassification to assets held for sale	-	(24,265)	-	(461,988)	-	(486,253)
Other changes	-	(11,801)	(6,000)	17,801	-	-
Balance, 31 December 2022	**-**	**565,793,782**	**3,351,754**	**513,513,086**	**-**	**1,082,658,622**
Balance, 1 January 2023	-	565,793,782	3,351,754	513,513,086	-	1,082,658,622
Amortization expense	-	8,594,641	476,936	44,745,624	-	53,817,201
Transfer to non-monetary contribution	-	(45,549,763)	-	(3,148,908)	-	(48,698,671)
Write-offs and disposals	-	(113,673)	(306,009)	(35,084,292)	-	(35,503,974)
Dismantlement	-	-	-	(609,802)	-	(609,802)
Reclassification to assets held for sale	-	-	-	(290,748)	-	(290,748)
Other changes	-	(3,097)	-	(2,217)	-	(5,314)
Balance, 31 December 2023	**-**	**528,721,890**	**3,522,681**	**519,122,743**	**-**	**1,051,367,314**
Net book value						
31 December 2023	**1,611,648**	**309,935,188**	**719,283**	**251,008,769**	**79,258,940**	**642,533,828**
31 December 2022	**1,774,496**	**329,240,452**	**1,031,662**	**207,468,151**	**92,534,303**	**632,049,064**

Fixed assets under construction as of 31 December 2023 are mainly related to the purchased telecommunication equipment not yet placed into use. As of 31 December 2023, 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 59,409,468 as at 31 December 2023 (31 December 2022: BAM 57,741,332).

During the reporting period, the Company activated own work capitalised within property and equipment in the amount of BAM 20,802,315.

14. RIGHT-OF USE ASSETS

	In BAM 31 Decembar 2023 and FY 2022 Land and buildings
Balance, 1 January 2022	43,379,196
Additions	7,042,337
Depreciation/amortization	(12,518,249)
Modification of the lease period	(1,422,124)
Balance, 31 December 2022	**36,481,160**
Balance, 1 January 2023	36,481,160
Additions	11,264,691
Depreciation/amortization	(12,340,102)
Modification of the lease period	(385,651)
Balance, 31 December 2023	**35,020,098**

As part of its regular business activities, the Company leases various lease items, the most important of which are: commercial premises for sales points, land, and facilities for accommodating telecommunication equipment. In assessing the liabilities for leased assets, the Company also took into consideration 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.

15. INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries in the total amount of BAM 256,271,579 are related to subsidiaries: *Logosoft d.o.o.* Sarajevo, Bosnia and Herzegovina*; Blicnet d.o.o.* Banja Luka, Bosnia and Herzegovina*, Telrad Net d.o.o.* Bijeljina, Bosnia and Herzegovina, *Elta-Kabel d.o.o.* Doboj, Bosnia and Herzegovina, *Financ d.o.o*. Banja Luka, Bosnia and Herzegovina and *TRION TEL d.o.o.* Banja Luka, Bosnia and Herzegovina.

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

The Company owns 100% of equity interest in Logosoft d.o.o. Sarajevo.

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, computer equipment sales, as well as services in system integration, education, and consulting services in the field of information technologies.

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 network services, as well as system integration services.

Pursuant to the Decision of the District Commercial Court in Banja Luka, a status change of merger by acquisition of the companies *Elta-Kabel d.o.o. Doboj* and *Telrad Net d.o.o. Bijeljina* by the acquirer, *Blicnet d.o.o. Banja Luka,* was recorded in the Court's Business Entities Register on 12 September 2022. The acquirer, *Blicnet d.o.o. Banja Luka,* continued to perform all the activities it had been performing until the merger date, as well as the activities performed by the merged companies.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

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-top-up, and scratch vouchers, USB modems and conclusion of contracts with potential users of Mtel services. It additionally provides the processing services.

Sky Towers Infrastructure d.o.o. Banja Luka, Bosnia and Herzegovina

During the reporting period, the Company was the sole (100%) owner of the equity of Sky Towers Infrastructure d.o.o. Banja Luka. The subsidiary Sky Towers Infrastructure d.o.o. Banja Luka is registered for providing wireless telecommunications activities. On 16 May 2023, based on the decision of the District Commercial Court in Banja Luka, the company Sky Towers Infrastructure d.o.o. Banja Luka has been registered in the Court's Register of Business Entities.

In accordance with the strategic decision of the Company, a sales and transfer agreement for 100% ownership interest in the subsidiary Sky Towers Infrastructure d.o.o. Banja Luka has been concluded. Based on the aforementioned, the change of ownership in the company Sky Towers Infrastructure d.o.o. Banja Luka was registered in the Register of Business Entities on December 12, 2023.

TRION TEL d.o.o. Banja Luka, Bosnia and Herzegovina

The Company owns of 100% of equity interest in TRION TEL d.o.o. Banja Luka, Bosnia and Herzegovina. The purchase and sale agreement with TRION TEL d.o.o. Banja Luka was concluded on July 17, 2023. On July 27, the Agreement on the transfer of 100% ownership interest in the company was concluded, which serves as the basis for registering the change of ownership in the business entity register of TRION TEL d.o.o. Banja Luka, making Mtel a.d. Banja Luka the owner of 100% ownership interest in TRION TEL d.o.o. Banja Luka. The subsidiary TRION TEL d.o.o. Banja Luka was incorporated in 2015 and provides internet access services via wired infrastructure.

16. INVESTMENTS IN ASSOCIATES

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

As at 31 December 2023, 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 made on 1 February 2010, subsequent recapitalizations, as well as other costs directly related to the above-mentioned transaction, and the entry of non-monetary and monetary contribution made, amounts to BAM 143,565,421.

The total investment into *MTEL Global* d.o.o. Belgrade, Serbia, after making a non-monetary contribution in the form of a right to a 100% equity interest in Mtel Austria GmbH, based on which the Company became the owner of 41% interest, and a recapitalization, amounts to BAM 40,045,288.

17. LONG-TERM LOANS AND RECEIVABLES

	In BAM	
	31 December 2023	31 December 2022
Long-term loans to employees	66,771	66,771
Less: Current portion of long-term loans due within one year (Note 24)	(66,771)	(66,771)
	-	-
Other long-term loans	163,011	197,330
Less: Current portion of long-term loans due within one year (Note 24)	(34,318)	(34,318)
	128,693	163,012
Long-term loans to related parties	1,718,084	2,452,197
Less: Current portion of long-term loans due within one year (Note 24)	(945,599)	(1,131,599)
	772,485	1,320,598
Long-term deposits	1,500,000	-
Less: Short-term deposits	(1,200,000)	-
	300,000	-
Total long-term receivables and loans	**1,201,178**	**1,483,610**
Less: Accumulated impairment allowance:		
- impairment allowance of other long-term loans	(8,079)	(11,791)
	1,193,099	**1,471,819**

18. OTHER INVESTMENTS

		In BAM	
	Interest	31 December 2023	31 December 2022
Financial assets measured at amortized cost:			
- Long-term bonds issued by the Republic of Srpska		-	1,647
- Centre for International Law and International Business Cooperation Ltd. Banja Luka	22.97%	400	400
		400	**2,047**

Financial assets measured at amortized cost relate to the bonds of the Republic of Srpska issued by the RS Ministry of Finance 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.

19. LONG-TERM ASSETS ON THE BASIS OF ACQUIRING CONTRACTS WITH CUSTOMERS

	In BAM	
	31 December 2023	31 December 2022
Cost		
Balance, 1 January	18,338,938	12,319,510
Contracts acquired in the business year	7,936,122	9,577,816
Derecognition based on contract expiration/termination	(8,512,433)	(3,796,316)
Balance, end of year	**17,762,627**	**18,101,010**
Accumulated amortization/depreciation		
Balance, 1 January	8,489,809	4,518,038
Amortization/depreciation charge	9,256,331	7,767,020
Derecognition based on contract expiration/termination	(8,512,354)	(3,795,249)
Balance, end of year	**9,233,786**	**8,489,809**
Net book value	**8,528,841**	**9,611,201**

20. INVENTORIES

	In BAM	
	31 December 2023	31 December 2022
Material	3,430,787	3,299,055
Goods	129,987	117,700
Material for combined services	10,565,435	7,199,245
Advances paid for inventories	992,759	1,132,611
	15,118,968	**11,748,611**

21. TRADE RECEIVABLES

	In BAM	
	31 December 2023	31 December 2022
Trade receivables:		
- related parties (Note *38 (a)*)	298,668,075	23,618,693
- domestic	127,564,788	120,771,184
- foreign	744,242	702,564
Gross trade receivables	**426,977,105**	**145,092,441**
Less: Impairment allowance of trade receivables for expected credit losses	(63,229,573)	(61,924,467)
	363,747,532	**83,167,974**

The Company's total gross trade receivables as at 31 December 2023 amounts to BAM 426,977,105. The Company used a simplified approach in recognition of the lifetime expected losses for trade receivables and other receivables not containing a significant financing component, by grouping those per different customer characteristics and historical loss trends.

The total amount of the impairment allowance of trade receivables as at 31 December 2023 amounts to BAM 63,229,573 and represents 14.81% of the total gross value of trade receivables. The movements in the allowance for impairment of receivables are shown in *Note 23* to the separate financial statements.

22. OTHER RECEIVABLES

	In BAM	
	31 December 2023	31 December 2022
Dividend receivables	3,370,000	3,370,000
Other receivables	2,390,101	1,602,011
	5,760,101	4,972,011
Less: Impairment allowance of other receivables	(430,326)	(415,122)
	5,329,775	**4,556,889**

23. IMPAIRMENT OF FINANCIAL ASSETS

	In BAM From 1 January to 31 December 2023 and FY 2022		
	Trade receivables *(Note 21)*	Other receivables *(Note 22)*	Total
Balance, 1 January 2022	61,622,754	435,898	62,058,652
Adjustments during the year debited to income	2,201,852	3,389	2,205,241
Write-off of receivables	(1,924,304)	-	(1,924,304)
Other	24,165	(24,165)	-
Balance, 31 December 2022	**61,924,467**	**415,122**	**62,339,589**
Balance, 1 January 2023	61,924,467	415,122	62,339,589
Adjustments during the year debited to income	2,444,451	-	2,444,451
Write-off of receivables	(1,124,141)	-	(1,124,141)
Other	(15,204)	15,204	-
Balance, 31 December 2023	**63,229,573**	**430,326**	**63,659,899**

24. DEPOSITS AND LOAN RECEIVABLES

		In BAM
	31 December 2023	31 December 2022
Short-term deposits	1,200,000	-
Loans to employees due within one year *(Note 17)*	66,771	66,771
Loans to related parties due within one year *(Note 17)*	945,599	1,131,599
Other loans due within one year *(Note 17)*	34,318	34,318
	2,246,688	**1,232,688**

25. PREPAYMENTS

	In BAM	
	31 December 2023	31 December 2022
Accrued receivables	6,851,713	5,483,780
Contractual assets	2,673,790	7,142,011
Prepaid expenses	2,053,918	2,226,811
Deferred input and output advance invoices for the purpose of VAT calculation	3,299,439	3,715,007
	14,878,860	**18,567,609**

Accrued receivables mostly, in the amount of BAM 5,887,820 relate to the estimates of the international traffic and roaming, which was performed in accordance with the internal calculation of the traffic realized and calculation received from the clearing house.

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

26. CASH AND CASH EQUIVALENTS

	In BAM	
	31 December 2023	31 December 2022
Gyro accounts	18,379,826	17,708,343
Foreign currency accounts	1,529,736	1,710,479
Cash on hand	40,312	29,949
Cash equivalents	100,000	100,000
	20,049,874	**19,548,771**

27. EQUITY

Share Capital

The Company's share capital structure (as per the Book of Shareholders maintained by the Republic of Srpska Central Registry of Securities, Banja Luka) as at 31 December 2023 and 31 December 2022 was as follows:

	31 December 2023		31 December 2022	
	Number of shares	Interest in %	Number of shares	Interest in %
Telekom Srbija a.d. Belgrade, Serbia	319,428,193	65.01	319,428,193	65.01
RS Pension and Disability Insurance Fund a.d., Banja Luka	40,984,201	8.34	42,300,523	8.61
RS Restitution Fund a.d. Banja Luka	24,715,439	5.03	24,715,439	5.03
DUIF Kristal invest a.d. – OAIF Future Fund	9,227,234	1.88	9,483,360	1.93
Other shareholders	97,028,688	19.74	95,456,240	19.42
	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, ordinary shares, and registered in the name of the holder. Each share entails 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 31 December 2023 amounts to BAM 1.19 (31 December 2022: BAM 1.62). Earnings and dividend per share are disclosed in *Note 39* to the separate financial statements.

Legal Reserves

Legal reserves as at 31 December 2023 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, reach the 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 of the share capital defined by Company Statute thereof, they may be utilized to increase the registered capital.

Other Reserves - Reserves Arising on the Investment Commitment

Other reserves as at 31 December 2023 in the amount of BAM 97,791,500 entirely pertained to the reserves formed during 2008 based on the execution of the commitment to invest undertaken by the majority owner (Telekom Srbija a.d. Belgrade), as the purchaser of the majority block of the Company's shares.

28. BORROWINGS AND OTHER LONG-TERM LIABILITIES

	In BAM	
	31 December 2023	31 December 2022
a) Long-term borrowings:		
- cash borrowings	170,674,638	185,958,445
- borrowings for purchases of equipment	67,049,460	69,971,950
	237,724,098	255,930,395
b) Other long-term liabilities	2,511,126	6,772,271
Total long-term liabilities	**240,235,224**	**262,702,666**
Less: Current portion of long-term liabilities:		
- cash borrowings	(41,506,337)	(30,429,007)
- borrowings for the purchases of equipment	(32,323,708)	(30,490,274)
- other long-term liabilities	(1,105,477)	(4,512,646)
Total current portion of long-term liabilities	**(74,935,522)**	**(65,431,927)**
	165,299,702	**197,270,739**

The average interest rate accrued on long-term borrowings for the purchase of equipment equals six-month EURIBOR increased by the margin ranging from 0.5% to 3.0% per annum (2022: six-month EURIBOR increased by the margin ranging from 0.5% to 1.0% per annum). The interest rate applied to cash loan is in accordance with the current market conditions.

Other long-term liabilities are mostly related to the financial liabilities at amortized cost and to the liabilities for the license for the use of radio frequency spectrum for providing services via mobile access systems issued by the Communications 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	
	31 December 2023	31 December 2022
Current portions	74,935,522	65,431,927
From 1 to 2 years	66,215,964	66,181,266
From 2 to 3 years	54,421,178	54,100,291
From 3 to 4 years	36,789,507	43,808,007
From 4 to 5 years	3,438,257	31,689,618
After 5 years	4,434,796	1,491,557
Total non-current portion of borrowings	165,299,702	197,270,739
	240,235,224	**262,702,666**

29. LEASE LIABILITIES

	In BAM 31 December 2023 and FY 2022 Land and buildings
Balance, 1 January 2022	44,929,217
New additions	7,042,337
Interest expense for right-of-use assets (*Note 11*)	936,737
Modification of the lease period	(1,546,574)
Liability closing	(13,258,331)
Balance, 31 December 2022	**38,103,386**
Balance, 1 January 2023	38,103,386
New additions	11,264,691
Interest expense for right-of-use assets (*Note 11*)	931,016
Modification of the lease period	(755,547)
Liability closing	(12,898,956)
Balance, 31 December 2023	**36,644,590**
Less: Current portion of long-term leases due within one year	(12,562,345)
Balance, 31 December 2023	**24,082,245**

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

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

30. LIABILITIES FOR TV CONTENT DISTRIBUTION RIGHTS

	In BAM	
	31 December 2023	31 December 2022
Liabilities for TV content distribution rights	45,596,095	55,896,610
Less: Current portion of long-term liabilities for TV content distribution rights	(26,346,463)	(25,159,412)
	19,249,632	**30,737,198**

	In BAM	
	31 December 2023	31 December 2022
Current portions	26,346,463	25,159,412
From 1 to 2 years	14,434,100	15,402,036
From 2 to 3 years	3,941,650	11,851,635
From 3 to 4 years	436,941	3,483,527
From 4 to 5 years	436,941	-
Total non-current portion of liabilities	19,249,632	30,737,198
	45,596,095	**55,896,610**

31. DEFERRED INCOME

	In BAM	
	31 December 2023	31 December 2022
Grants received	12,367	24,734
Less: Current portion of deferred income	(12,367)	(12,367)
	-	**12,367**

Movements on deferred income for the year ended 31 December 2023 and FY 2022 were as follows:

	In BAM	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Balance, 1 January	24,734	37,101
Decrease credited to other income	(12,367)	(12,367)
Balance, end of year	**12,367**	**24,734**

32. EMPLOYEE BENEFITS

	In BAM	
	31 December 2023	31 December 2022
Employee benefits		
- non-current portion	5,658,134	6,045,386
- current portion	1,195,550	795,027
	6,853,684	**6,840,413**

Long-term provisions for employee benefits as at 31 December 2023 in the amount of BAM 6,853,684 relate to the non-current and current provisions formed based on the calculation of present value of accumulated employee entitlements to retirement benefits and jubilee awards in accordance with IAS 19 "Employee Benefits".

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

Accordingly, the 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 2023 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 5.8% per annum, projected salary growth rate of 2.5% 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. As at 31 December 2023, demographic assumptions changed. The effects of changes in these assumptions are recognized as an actuarial gain in the statement of other comprehensive income.

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

32. EMPLOYEE BENEFITS (Continued)

Movements on long-term liabilities for employee benefits for the year ended 31 December 2023 and FY 2022 were as follows:

	In BAM 31 December 2023 and FY 2022
Balance, 1 January 2022	6,756,199
Charge for the year	724,909
Actuarial gains	(2,318)
Payments during the year	(638,377)
	6,840,413
Less: Current portion of long-term benefits due within one year	(795,027)
Balance, 31 December 2022	**6,045,386**
Balance, 1 January 2023	6,840,413
Charge for the year	856,144
Actuarial gains	(291,573)
Payments during the year	(551,300)
	6,853,684
Less: Current portion of long-term benefits due within one year	(1,195,550)
Balance, 31 December 2023	**5,658,134**

33. PROVISIONS

	In BAM For the year ended 31 December 2023	For the year ended 31 December 2022
Balance, 1 January	49,106	39,000
Provisions for litigations	400,296	14,106
Proceeds from the reversal of provisions for litigations	(10,100)	(4,000)
Reversal of provisions for litigations	(700)	-
Balance, end of year	**438,602**	**49,106**

34. TRADE PAYABLES

	In BAM 31 December 2023	31 December 2022
Trade payables:		
- related parties (*Note 38(a)*)	40,587,069	32,652,234
- domestic	78,486,175	71,990,326
- foreign	31,580,962	19,131,439
- for uninvoiced investments and services	14,801,438	22,802,472
	165,455,644	**146,576,471**

Trade payables are non-interest bearing. The average days payable outstanding for the year ended 31 December 2023 were 230 days (2022: 210 days).

34. TRADE PAYABLES (Continued)

The ageing structure of trade payables as at 31 December 2023 and 31 December 2022 was as follows:

	In BAM	
	31 December 2023	31 December 2022
From 0 to 30 days	90,578,517	93,152,633
From 31 to 60 days	14,289,731	5,742,199
From 61 to 120 days	9,682,492	13,288,158
From 121 to 180 days	8,937,951	7,852,016
From 181 to 270 days	9,856,691	12,333,244
From 271 to 360 days	32,110,262	14,208,221
	165,455,644	**146,576,471**

35. ACCRUALS

	In BAM	
	31 December 2023	31 December 2022
Deferred income – sales of prepaid top-ups	4,261,674	4,424,407
Accrued liabilities – international traffic	10,046,852	7,748,579
Accrued liabilities – media content distribution/broadcasting	10,204,149	7,064,905
Accrued liabilities per other expenses of the period	12,025,821	11,492,837
Accrued VAT liabilities on advance invoices	2,953,602	3,341,504
Other accruals	190,531	177,496
	39,682,629	**34,249,728**

Accrued liabilities for international traffic totalling BAM 10,046,852 as at 31 December 2023 mostly relate to cost estimates of international settlements realized with related parties.

Accrued liabilities per other expenses amounting to BAM 12,025,821 as at 31 December 2023 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.

36. OTHER LIABILITIES

	In BAM	
	31 December 2023	31 December 2022
Advances and prepayments received from customers	1,117,525	1,165,134
Taxes and customs duties charged to expenses	548,409	240,054
Value added tax payable	1,788,993	2,411,039
Liabilities to employees	7,212,605	6,741,276
Liabilities for acquiring equity interest	1,434,168	-
Other liabilities	1,946,572	1,467,851
	14,048,272	**12,025,354**

37. INCOME TAXES

(a) Components of Income Taxes

	In BAM For the year ended 31 December 2023	2022
Current tax expense of the period	33,783,818	6,357,761
Deferred tax income - increase in deferred tax assets	(897,372)	(32,969)
Deferred tax expense - increase in deferred tax liabilities	4,755,107	3,758,657
	37,641,553	**10,083,449**

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

	In BAM For the year ended 31 December 2023	2022
Profit before tax	370,031,546	92,352,486
Income taxes calculated at the rate of 10%	37,003,155	9,235,249
Adjustments expenses/income for:		
- non-taxable income effects	(4,938,075)	(3,939,774)
- non-deductible costs effects	1,718,738	1,062,286
- temporary differences effects	3,857,735	3,725,688
Income tax expense	**37,641,553**	**10,083,449**
Effective tax rate for the year	10.17%	10.92%

(c) Deferred Tax Assets

	In BAM Year ended 31 December 2023	Year ended 31 December 2022
Temporary differences:		
Balance, 1 January	498,169	465,200
Increase of deferred tax assets	897,372	32,969
Balance, end of the year	**1,395,541**	**498,169**

37. INCOME TAXES (Continued)

(d) Deferred Tax Liabilities

	In BAM	
	Year ended 31 December 2023	Year ended 31 December 2022
Temporary differences:		
Balance, 1 January	(6,980,812)	(3,222,155)
Increase of deferred tax liabilities	(4,755,107)	(3,758,657)
Balance, end of the year	**(11,735,919)**	**(6,980,812)**

(e) Current tax receivables

	In BAM	
	31 December 2023	31 December 2022
Receivables for overpaid income tax	-	681,488
Liabilities for the current income tax	27,588,643	-
Balance, end of the period/year	**27,588,643**	**681,488**

38. RELATED PARTY TRANSACTIONS

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

(a) STATEMENT OF FINANCIAL POSITION

31 December 2023					In BAM
	Parent company	Subsidiaries	Associates	Other related parties	TOTAL
TV content distribution rights	5,003,245	-	-	16,242,075	**21,245,320**
Other long-term receivables	41,021,372	-	-	-	**41,021,372**
Total non-current assets	**46,024,617**	**-**	**-**	**16,242,075**	**62,266,692**
Trade receivables	271,419,950	16,041,400	8,927,727	2,278,998	298,668,075
Interest receivables	-	-	89,359	-	89,359
Dividend receivables	-	3,370,000	-	-	3,370,000
Calculated, uninvoiced income from international settlements	4,482,029	135,873	1,068,500	2,819	5,689,221
Long-term loans	-	772,485	-	-	772,485
Short-term loans	-	945,599	-	-	945,599
Other short-term receivables	-	15,956	-	-	15,956
Total receivables	**275,901,979**	**21,281,313**	**10,085,586**	**2,281,817**	**309,550,695**
Total	**321,926,596**	**21,281,313**	**10,085,586**	**18,523,892**	**371,817,387**
Trade payables	(32,748,436)	(3,037,202)	(2,011,120)	(2,790,311)	(40,587,069)
Interest payables	(3,709)	-	-	-	(3,709)
Dividend payables	(88,866,440)	-	-	-	(88,866,440)
Calculated (estimated) expenses	(13,328,413)	(302,096)	(2,462,396)	(627,045)	(16,719,950)
Long-term loans	(204,190)	-	-	-	(204,190)
Short-term loans	(163,483)	-	-	-	(163,483)
Payables for TV content distribution rights	(19,109,967)	-	-	(9,345,815)	(28,455,782)
Other payables	-	(301,409)	-	-	(301,409)
Total payables	**(154,424,638)**	**(3,640,707)**	**(4,473,516)**	**(12,763,171)**	**(175,302,032)**
Net	**167,501,958**	**17,640,606**	**5,612,070**	**5,760,721**	**196,515,355**

31 December 2022					In BAM
	Parent company	Subsidiaries	Associates	Other related parties	TOTAL
TV content distribution rights	3,383,667	-	-	3,495,428	6,879,095
Other long-term receivables	-	-	-	-	-
Total non-current assets	**3,383,667**	**-**	**-**	**3,495,428**	**6,879,095**
Trade receivables	5,542,843	9,446,414	5,885,712	2,743,724	23,618,693
Interest receivables	-	-	89,359	-	89,359
Dividend receivables	-	3,370,000	-	-	3,370,000
Calculated, uninvoiced income from international settlements	3,489,856	245,481	505,982	86	4,241,405
Long-term loans	-	1,320,598	-	-	1,320,598
Short-term loans	-	1,131,599	-	-	1,131,599
Other short-term receivables	-	240	-	-	240
Total receivables	**9,032,699**	**15,514,332**	**6,481,053**	**2,743,810**	**33,771,894**
Total	**12,416,366**	**15,514,332**	**6,481,053**	**6,239,238**	**40,650,989**
Short-term liabilities	-	-	-	-	-
Trade payables	(27,764,125)	(1,570,141)	(525,653)	(2,792,315)	(32,652,234)
Interest payables	(2,044)	-	-	-	(2,044)
Dividend payables	(88,866,440)	-	-	-	(88,866,440)
Calculated (estimated) expenses	(7,732,661)	(316,769)	(1,752,502)	(310,257)	(10,112,189)
Long-term loans	(164,137)	-	-	-	(164,137)
Short-term loans	(82,068)	-	-	-	(82,068)
Payables for TV content distribution rights	(28,104,991)	-	-	(170,744)	(28,275,735)
Other payables	-	(435,119)	-	-	(435,119)
Total payables	**(152,716,466)**	**(2,322,029)**	**(2,278,155)**	**(3,273,316)**	**(160,589,966)**
Net	**(140,300,100)**	**13,192,303**	**4,202,898**	**2,965,922**	**(119,938,977)**

38. RELATED PARTY TRANSACTIONS (Continued)

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

Year ended 31 December 2023					In BAM
	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Income from the sale of goods and services	15,948,591	13,663,325	2,441,482	618,312	32,671,710
Interest income	164,172	59,602	-	-	223,774
Dividend income	-	-	-	-	-
Other operating income	274,122,407	367,711	-	742	274,490,860
Total income	**290,235,170**	**14,090,638**	**2,441,482**	**619,054**	**307,386,344**
Costs from related party transactions	(32,300,993)	(6,226,286)	(1,123,695)	(200,848)	(39,851,822)
Total expenses	**(32,300,993)**	**(6,226,286)**	**(1,123,695)**	**(200,848)**	**(39,851,822)**
Net income/(expenses)	**257,934,177**	**7,864,352**	**1,317,787**	**418,206**	**267,534,522**

Year ended 31 December 2022					In BAM
	Parent Company	Subsidiaries	Associates	Other related parties	TOTAL
Income from the sale of goods and services	16,552,704	14,073,698	2,309,923	1,097,601	34,033,926
Interest income	-	52,454	-	-	52,454
Dividend income	-	-	-	-	-
Other operating income	-	317,684	11,744	-	329,428
Total income	**16,552,704**	**14,443,836**	**2,321,667**	**1,097,601**	**34,415,808**
Costs from related party transactions	(19,662,153)	(6,265,159)	(1,610,772)	-	(27,538,084)
Total expenses	**(19,662,153)**	**(6,265,159)**	**(1,610,772)**	**-**	**(27,538,084)**
Net income/(expenses)	**(3,109,449)**	**8,178,677**	**710,895**	**1,097,601**	**6,877,724**

	In BAM Year ended	
	31 December 2023	31 December 2022
Short-term remunerations to key management personnel:		
- Executive Board	(906,741)	(887,983)
- Management Board	(322,605)	(304,528)
- Audit Committee	(110,484)	(100,392)
	(1,339,830)	**(1,292,903)**

The key management personnel are not entitled to the additional long-term employee benefits or termination benefits other than those disclosed in *Note 3.16*.

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

39. EARNINGS AND DIVIDEND PER SHARE

	In BAM Year ended 31 December 2023	2022
Net profit for the period	332,389,993	82,269,037
Weighted average number of shares outstanding	491,383,755	491,383,755
Earnings per share (basic and diluted)	0.6764	0.1674

Liabilities for the remaining unpaid dividends to the shareholders as at 31 December 2023 amounted to BAM 92,353,568 (31 December 2022: BAM 109,012,126).

40. 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 31 December 2023 totalled BAM 50,909,706 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 this 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 above-mentioned belief that the claim directed against the Company is unfounded relies 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 ruling in this dispute will not significantly or materially hinder the financial operations of the Company. Based on the above-mentioned facts, the Company has not recorded provisions for the said legal suit nor does it consider any further disclosures in respect thereof necessary.

The Company's management estimates no material losses, above the amount for which provision has already been made, will arise from the outcomes of the pending litigations.

41. FINANCIAL INSTRUMENTS

41.1. Capital Risk Management

The Company manages capital risk 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 need 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.

41. FINANCIAL INSTRUMENTS (Continued)

41.1. Capital Risk Management (Continued)

41.1.1. Debt-to-Equity Ratio

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

	In BAM	
	31 December 2023	**31 December 2022**
Debt (a)	240,235,224	262,702,666
Cash and cash equivalents	(21,249,874)	(19,548,771)
Net debt	**218,985,350**	**243,153,895**
Equity (b)	1,013,564,206	680,882,640
Debt-to-equity ratio	21.61%	35.71%

(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.

41.1.2. 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.

41.2. Categories of Financial Instruments

Categories of financial instruments as at 31 December 2023 and 31 December 2022 are presented in the table below:

	In BAM	
	31 December 2023	**31 December 2022**
Financial assets measured at amortized cost	392,567,368	109,980,188
Financial liabilities at amortized cost	581,379,779	612,083,951

41.3. Objectives of Financial Risk Management

In its regular course of business, the Company is, to various extents, exposed to certain financial risks, such as market risk (including 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 year ended 31 December 2023, the Company did not enter into transactions with derivative instruments, such as interest rate swaps or forwards.

41. FINANCIAL INSTRUMENTS (Continued)

41.3. Objectives of Financial Risk Management (Continued)

(1) Market Risk

(a) Foreign Exchange Risk

Although the Company performs a part of its transactions in foreign currencies, the Company's management believes 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 (EUR 1= BAM 1.95583).

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.

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

In BAM

	Assets		Liabilities	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
EUR	284,257,512	15,875,465	229,089,605	232,981,226
USD	472,189	514,013	5,998,078	9,410,086
CHF	2,326	1,709	-	-
GBP	2,344	313	-	275
RSD	3,377	3,632	-	-
SEK	568	50	-	-
	284,738,316	16,395,182	235,087,683	242,391,587

Sensitivity Analysis

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

If the foreign currencies exchange rate had been 10% higher/lower, the Company's net profit for the year ended 31 December 2023 would have been decreased/increased by the amount of BAM 49,003 (comparative figure in 2022: BAM 36,482).

(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 year ended 31 December 2023, 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.

41. FINANCIAL INSTRUMENTS (Continued)

41.3. Objectives of Financial Risk Management (Continued)

(1) Market Risk (Continued)

(b) Interest Rate Risk (Continued)

Sensitivity Analysis

Sensitivity analysis of interest rates changes is determined based on interest rate exposures of non-derivative instruments at the end of the reporting period. In regard with 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 period ended 31 December 2023 would have decreased/increased by the amount of BAM 1,568,366 (the comparative figure in 2022: BAM 677,750) as the result of higher/lower interest expenses.

(c) Equity Price Risk

During the reporting period ended 31 December 2023, the Company was exposed to a risk of price changes of equity securities. The above-mentioned 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. 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 has enough 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.

To manage liquidity risk, the Company has adopted financial policies which define dispersion on decision-making levels during 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.

41. FINANCIAL INSTRUMENTS (Continued)

41.3. Objectives of Financial Risk Management (Continued)

(2) Liquidity Risk (Continued)

Maturities of the Company's financial assets and liabilities as at 31 December 2023 and 31 December 2022 were as follows:

Financial assets — **In BAM**

31 December 2023	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)	389,405,779	223,585	298,114	99,371	-	390,026,849
Fixed interest rate						
- Fair value at amortised cost	1,015,359	2,533,232	19,640,333	28,641,932	-	51,830,856
Total	**390,421,138**	**2,756,817**	**19,938,447**	**28,741,303**	**-**	**441,857,705**
31 December 2022						
Non-interest bearing						
- Loans and receivables (including cash and cash equivalents)	107,931,648	223,585	298,114	397,485	-	108,850,832
Fixed interest rate						
- Fair value at amortised cost	114,118	264,620	300,752	486,790	25,739	1,192,019
Total	**108,045,766**	**488,205**	**598,866**	**884,275**	**25,739**	**110,042,851**

Financial liabilities — **In BAM**

31 December 2023	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	211,763,354	74,307,054	14,555,067	4,875,008	-	305,500,483
- Instruments at variable interest rate	23,146,747	64,966,426	74,937,474	101,738,362	4,566,509	269,355,518
- Instruments at fixed interest rate	3,703,338	10,461,351	7,942,678	14,015,263	4,626,595	40,749,225
Total	**238,613,439**	**149,734,831**	**97,435,219**	**120,628,633**	**9,193,105**	**615,605,226**
31 December 2022						
Other liabilities at amortized cost						
- Non-interest bearing	221,904,380	59,743,527	15,402,036	15,335,162	-	312,385,105
- Instruments at variable interest rate	11,034,167	61,010,051	73,566,734	137,611,161	1,503,794	284,725,907
- Instruments at fixed interest rate	3,632,867	13,314,350	9,661,021	14,396,327	5,529,772	46,534,337
Total	**236,571,414**	**134,067,928**	**98,629,791**	**167,342,650**	**7,033,566**	**643,645,349**

The 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 incurred liability.

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.

41. FINANCIAL INSTRUMENTS (Continued)

41.3. Financial Risk Management (Continued)

(3) Credit Risk

Credit risk is the risk that counterparty defaults 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 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 wage garnishment, i.e., by wage decrease in the amount of the instalment, whereas the employees leaving the Company sign the agreements to regulate the outstanding loan repayment upon leaving the Company.

For credit risk minimization purposes, the Company has developed and maintained credit risk assessment 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 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

41. FINANCIAL INSTRUMENTS (Continued)

41.3. 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.

31 December 2023	Note	External classification	Internal classification	12-month ECL or lifetime ECL	Gross amount	Impairment allowance	Net amount
Long-term receivables and loans	17,24	NA	Performing and non-performing	Lifetime	3,447,866	8,079	3,439,787
Trade receivables	21	NA	Performing and non-performing	Lifetime	426,977,105	63,229,573	363,747,532
Other receivables	22	NA	Performing and non-performing		5,760,101	430,326	5,329,775
Cash and cash equivalents	26	NA	Performing		20,049,874	-	20,049,874
Financial assets subsequently measured at amortized cost	18	NA	Performing		400	-	400
					456,235,346	**63,667,978**	**392,567,368**

(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.

	31 December 2023		31 December 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Financial assets measured at amortized cost	-	-	1,647	1,413
Total	**-**	**-**	**1,647**	**1,413**

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

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

42. SEGMENT REPORTING

42.1. Segment information

As at 31 December 2023, the Company's reporting segments in accordance with IFRS 8, were as follows:

1. Fixed network,
2. Mobile network.

42.2. Segment Revenues and Results

The segment revenues and results for the period ended 31 December 2023 are presented in the following table:

In BAM

31 December 2023	Fixed-Line Network	Mobile Network	Total
Sales of goods and services	185,329,901	271,016,974	456,346,875
Other operating income	20,118,535	282,895,720	303,014,255
Intersegment settlement	85,169,168	35,110,035	120,279,203
Cost of material, goods and combined services	(6,422,286)	(36,267,205)	(42,689,491)
Staff costs	(33,237,552)	(48,608,181)	(81,845,733)
Depreciation and amortization charge	(71,433,985)	(44,144,737)	(115,578,722)
Cost of production services	(40,703,222)	(47,498,112)	(88,201,334)
Other operating expenses	(11,554,045)	(21,916,186)	(33,470,231)
Finance income – interest-bearing	381,008	557,204	938,212
Finance income – other	242,702	354,938	597,640
Impairment of financial assets	(992,692)	(1,451,759)	(2,444,451)
Financial expenses	(10,862,174)	(15,773,300)	(26,635,474)
Intersegment settlement	(35,110,035)	(85,169,168)	(120,279,203)
Profit before taxes	**80,925,323**	**289,106,223**	**370,031,546**
Income tax expense	(8,232,149)	(29,409,404)	(37,641,553)
Net profit	**72,693,174**	**259,696,819**	**332,389,993**

42. SEGMENT REPORTING (Continued)

42.2. Segment Revenues and Results (Continued)

The segment revenues and results for the period ended 31 December 2022 are presented in the following table:

In BAM

31 December 2022	Fixed-Line Network	Mobile Network	Total
Sales of goods and services	177,056,035	261,398,170	438,454,205
Other operating income	17,650,471	8,792,302	26,442,773
Intersegment settlement	81,656,228	34,103,571	115,759,799
Cost of material, goods, and combined services	(9,156,571)	(43,263,408)	(52,419,979)
Staff costs	(30,306,020)	(44,745,960)	(75,051,980)
Depreciation and amortization charge	(73,441,349)	(44,242,188)	(117,683,537)
Cost of production services	(39,323,033)	(45,717,365)	(85,040,398)
Other operating expenses	(11,043,870)	(21,163,787)	(32,207,657)
Finance income – interest-bearing	240,199	354,647	594,846
Finance income – other	401,994	593,534	995,528
Impairment of financial assets	(892,496)	(1,312,745)	(2,205,241)
Finance expenses	(3,846,629)	(5,679,445)	(9,526,074)
Intersegment settlement	(34,103,571)	(81,656,228)	(115,759,799)
Profit before taxes	**74,891,388**	**17,461,098**	**92,352,486**
Income tax expense	(8,176,970)	(1,906,479)	(10,083,449)
Net profit	**66,714,418**	**15,554,619**	**82,269,037**

Segment revenues and results reported above (for the year ended 31 December 2023 and 31 December 2022) 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, based on 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.

42. SEGMENT REPORTING (Continued)

42.3. Segment Capital Expenditures

Capital expenditures of the segments during the period ended 31 December 2023 and 31 December 2022 were as follows:

	Fixed Network	Mobile Network	In BAM Total
31 December 2023			
Capital expenditures (*Notes 12 and 13)*	89,955,900	44,767,645	134,723,545
31 December 2022			
Capital expenditures (*Notes 12 and 13)*	72,553,054	57,499,835	130,052,889

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

43. TAX RISKS

Republic of Srpska and Bosnia and Herzegovina currently have several tax laws in effect, as imposed by various governmental agencies. The applicable taxes include value added tax, corporate income tax, and payroll (social) taxes, among others. Besides that, the regulations governing these taxes were not applied for longer 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, regarding the tax issues, there is limited number of exemplary cases. There are often different opinions on legal interpretation among government ministries and organizations, which may lead to creating uncertainties and conflict of interests. Tax declarations, together with other legal regulations (e.g., customs and currency control matters) are subject to the review and investigation by number of relevant authorities that are legally enabled to impose extremely severe fines, penalties, and interest charges.

The tax authorities' interpretation of the tax legislation, applicable to the transactions and activities of the Company, may differ from that of the management. As the result, transactions may be disputed by the tax authorities and additional taxes, penalties, and interest may be imposed to the Company. Pursuant to the Law on Tax Authority of the Republic of Srpska, the statutory limitation period of the tax liability is five years.

This practically means that tax authorities could determine the 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 in whole.

44. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE COMPANY

World economies continued to recover from the recession caused by the pandemic of the coronavirus, but due to the current situation in the world, there was also an increase in inflation rates and a tightening of monetary policy. The economy of Bosnia and Herzegovina, as well as the economies of other countries in the surrounding area, are facing a combination of new challenges that are reflected in the rise in energy prices, the slowdown in global and economic growth, which is directly reflected in their growth. The Company is regularly monitoring events in the world and in the surrounding area and it is implementing all necessary measures to minimize their impact on business operations. At the issuance date of these financial statements, the Company continues to meet its liabilities as they mature, and continuously provides services to its clients.

45. 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	
	31 December 2022	31 December 2021
Euro (EUR)	1.95583	1.95583
Serbian Dinar (RSD)	0.01669	0.01667
American Dollar (USD)	1.76998	1.83371
Swiss Franc (CHF)	2.11213	1.98622

46. EVENTS AFTER THE REPORTING PERIOD

On December 27, 2023, the Assembly of TRION TEL d.o.o. Banja Luka made a decision to initiate the merger procedure with the parent company Mtel a.d. Banja Luka, which is the owner of 100% of shares in TRION TEL d.o.o. Banja Luka. Upon entry of the status change merger and acquisition into the court register on February 27, 2024, entire assets of TRION TEL d.o.o. Banja Luka, including rights and obligations, will be transferred to the acquiring company, Mtel a.d. Banja Luka, and the company being merged will cease to exist without carrying out the liquidation procedure.

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