“MTEL” a.d. BANJA LUKA

Consolidated Financial Statements
For the Six-Month Period Ended
30 June 2021 and Independent Auditor’s Report

CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of "Mtel" a.d. Banja Luka and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of 30 June 2021, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as 30 June 2021, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (Continued)

Key Audit Matter	Audit Procedures Applied
1. **Revenue recognition** (accuracy of recording revenues due to the complexity of the information systems for generating income from services rendered), Note 5 to the consolidated financial statements	
There are inherent risks associated with the accuracy of recognized revenues arising from the complexity of information systems (IT) of the Group, through which the realised traffic, billing, approved free traffic and other discounts in the revenue generation process are measured. Based on the procedures performed, we have not identified significant findings in relation to the accuracy of the revenue recorded for the six-month period ended 30 June 2021.	We assessed the Group's most important IT systems for recording the realised traffic, billing and invoicing services to customers and conducted tests of relevant controls over these systems, tested the relevant control over the transfer of data from the respective information systems to the general ledger, as well as controls over the process of payments of bills by the customers and the process of customer complaints resolution. We tested the compliance of prices and discount terms on customers' invoices with the current pricelist and discount terms on a sample basis.

Key Audit Matter	Audit Procedures Applied
2. **Accrual of income and expenses due to the assessment of contracted and realised roaming discounts in the international traffic, Notes** 23 and 32 to the consolidated financial statements	
Accrued income of the Group from the roaming discounts contracted with other operators in the international traffic, as well as accrued expenses for roaming discounts granted to other operators by the Group were selected as key audit matters due to the fact that they include a significant scope of management estimates relating to meeting the requirements from individual contracts with specific operators. Based on the procedures performed, we have not identified significant findings in relation to the accrued discounts based on the roaming traffic realised in the six-month period ended 30 June 2021.	We reviewed contracts with major operators per income generated/expenses incurred from the roaming discount, tested sales/purchase invoices to/from operators on a sample basis and checked their accuracy, as well as their compliance with the terms defined in the agreements on roaming discounts. We have verified the billing of the amount of roaming with clearings and settlements received from clearing houses for the six-month period ended 30 June 2021. In addition, we have checked the consistency in the application of the group's accounting policies when recording the roaming discount.

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (Continued)

Key Audit Matter	Audit procedures applied
3. **Capitalization of costs of investments in intangible assets and property, plant and equipment, as well as their valuation after initial recognition,** Notes 12 and 14 to the consolidated financial statements	
This key audit matter was selected due to the fact that it involves significant estimates by the Group's management in the capitalization of investment costs in software and property, plant and equipment, as well as in determining the depreciation period and subsequent measurement of the recoverable amount of these assets due to relatively rapid technological changes inherent to the telecommunications industry. Based on the procedures performed, we have not identified significant findings in relation to the adequacy of capitalization of costs of investments in intangible assets and property, plant and equipment, as well as their subsequent valuation after initial recognition in the six-month period ended 30 June 2021.	We tested on a sample basis the Group's expenses recorded in current period expenses, as well as the increase recorded by the Group during the year on intangible assets and property, plant and equipment, from the point of view of meeting the criteria for capitalization of expenses, i.e. their recognition as expenses in current period. We analysed the assessments of the Group's management regarding the existence of indicators of impairment of intangible assets, property, plant and equipment, such as changes in use, reduction of market value, detection of physical damage, etc. We have considered the applied depreciation rates in relation to the useful lives of assets, plans to replace assets, previous experience in spending, as well as the realized income and expenses from the disposal of individual assets. We tested the internal controls implemented by the Group's management in this process. Based on the sample, we checked the arithmetic accuracy of the depreciation calculation and compared the rates with the previous accounting period. In addition, we tested construction in progress according to the age structure of the investment, physical condition, additionally capitalized costs during the period, the moment of putting into use and the inception of depreciation.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

Banja Luka, 12 August 2021

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

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Six-Month Period Ended 30 June 2021
(In BAM)

	Notes	Period ended 30 June 2021	Period ended 30 June 2020
Sales of goods and services	5	239,061,034	232,837,080
Other operating income	6	3,966,527	4,034,144
Cost of materials, merchandise and combined services	7	(29,886,223)	(30,818,588)
Staff costs	8	(44,252,871)	(43,193,668)
Depreciation and amortization charges	12,13,14	(64,717,731)	(69,822,658)
Cost of production services	9	(55,708,834)	(53,438,156)
Other operating expenses	10	(13,872,500)	(14,832,547)
Financial income – interest income	11	449,732	322,925
Financial income – other financial income	11	126,613	173,421
Impairment losses of financial assets	21	(2,476,895)	(3,039,829)
Financial expenses	11	(4,043,575)	(4,159,567)
Share in the profit of associates	15	2,360,478	(1,665,422)
Profit before taxes		**31,005,755**	**16,397,135**
Income tax expense	34 (a)	(2,933,115)	(1,924,470)
Net profit		**28,072,640**	**14,472,665**
Other comprehensive income, net of income taxes:			
(a) Items that may be subsequently reclassified to profit or loss:			
(Losses)/gains from financial assets at fair value measured through other comprehensive income	16	-	(1,019)
Total other comprehensive income, net of income tax		-	(1,019)
Total comprehensive income for the period		**28,072,640**	**14,471,646**
Net profit for the period attributable to:			
Owners of the Group		28,072,640	14,472,665
Non-controlling interests		-	-
		28,072,640	14,472,665
Total comprehensive income for the period attributable to:			
Owners of the Group		28,072,640	14,471,646
Non-controlling interests		-	-
		28,072,640	**14,471,646**
Earnings per share:			
Basic and diluted earnings per share	36	0.0571	0.0295

The accompanying consolidated financial statements of the Group were approved for issuance by the management of “Mtel” a.d., Banja Luka on 31 July 2021.

Signed on behalf of the Company and the Group by:

Marko Lopičić
General Manager

L.S.

Jasmina Lopičić
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 30 June 2021
(In BAM)

	Notes	30 June 2021	30 June 2020
ASSETS			
Non-current assets			
Intangible assets and goodwill	12	283,765,863	278,900,168
Right-of-use assets	13	52,491,010	55,127,820
Property and equipment	14	643,899,333	636,999,011
Investments in associates	15	197,590,899	181,012,163
Other investments	16	29,068	29,068
Long-term receivables and loans	17	357,326	372,615
Deferred tax assets	34 (c)	1,068,413	1,036,833
		1,179,201,912	1,153,477,678
Current assets			
Inventories	18	17,124,468	18,095,333
Assets held for sale		17,041	19,560
Trade receivables	19	89,510,429	82,435,844
Receivables for overpaid income tax	34 (e)	1,003,041	497,429
Other receivables	20	1,242,330	1,277,056
Deposits and loan receivables	22	8,347,759	11,107,238
Prepayments and accrued income	23	17,575,853	17,461,612
Cash and cash equivalents	24	10,964,980	9,268,164
		145,785,901	140,162,236
Total assets		**1,324,987,813**	**1,293,639,914**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	491,383,755	491,383,755
Legal reserves	25	49,265,052	49,209,597
Unrealized losses from the financial assets at fair value measured through other comprehensive income		(1,641)	(1,641)
Other reserves – reserves arising on the commitment to invest	25	97,791,500	97,791,500
Retained earnings		24,333,737	44,517,676
		662,772,403	682,900,887
Long-term liabilities and provisions			
Interest bearing borrowings and borrowings	26	224,799,182	237,491,265
Lease liabilities	27	41,547,570	44,260,172
Other long-term liabilities		39,258,475	34,317,753
Deferred income	28	30,918	37,101
Employee benefits	29	6,263,126	6,491,502
Provisions	30	1,845,029	1,845,029
Deferred tax liabilities	34 (d)	10,785,083	10,691,455
		324,529,383	335,134,277
Current liabilities			
Interest bearing borrowings and borrowings	26	102,200,458	99,096,071
Lease liabilities	27	12,826,590	12,445,732
Trade payables	31	84,955,819	76,831,115
Accruals and deferred income	32	31,907,496	26,044,214
Employee benefits	29	685,115	671,881
Provisions	30	1,987,654	1,987,654
Deferred income	28	12,367	12,367
Dividend payables	36	57,240,385	22,995,752
Other liabilities	33	45,870,143	35,519,964
		337,686,027	275,604,750
Total equity and liabilities		**1,324,987,813**	**1,293,639,914**

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

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

	Share Capital	Legal Reserves	Unrealized (losses)/gains from financial assets at fair value measured through other comprehensive income	Other Reserves - Reserves Arising from the Commitment to Invest	Retained Earnings	Total
Balance, 1 January 2020	**491,383,755**	**49,141,766**	**(676)**	**97,791,500**	**47,769,162**	**686,085,507**
Net profit for the period from 1 January to 30 June 2020	-	-	-	-	14,472,665	14,472,665
Total other comprehensive income for the period from 1 January to 30 June 2020	-	-	(1,019)	-	-	(1,019)
Total comprehensive income for the period	**-**	**-**	**(1,019)**	**-**	**14,472,665**	**14,471,646**
Profit distribution:						
Dividend paid to the shareholders	-	-	-	-	(43,575,759)	(43,575,759)
Legal reserves	-	61,501	-	-	(61,501)	-
Balance, 30 June 2020	**491,383,755**	**49,203,267**	**(1,695)**	**97,791,500**	**18,604,567**	**656,981,394**
Net profit for the period from 1 July to 31 December 2020	-	-	-	-	42,090,009	42,090,009
Total other comprehensive income for the period from 1 July to 31 December 2020	-	-	54	-	-	54
Total comprehensive income for the period	**-**	**-**	**54**	**-**	**42,090,009**	**42,090,063**
Net profit/losses of the period recognized directly in capital	-	-	-	-	(3,806)	(3,806)
Profit distribution:						
Interim dividend paid to the shareholders	-	-	-	-	(16,166,764)	(16,166,764)
Legal reserves	-	6,330	-	-	(6,330)	-
Balance, 31 December 2020	**491,383,755**	**49,209,597**	**(1,641)**	**97,791,500**	**44,517,676**	**682,900,887**
Net profit for the period from 1 January to 30 June 2021	-	-	-	-	28,072,640	28,072,640
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**28,072,640**	**28,072,640**
Net profit/losses of the period recognized directly in capital	-	-	-	-	11,632	11,632
Profit distribution (*Note 36*):						
Dividend paid to the shareholders	-	-	-	-	(48,212,756)	(48,212,756)
Legal reserves	-	55,455	-	-	(55,455)	-
Balance, 30 June 2021	**491,383,755**	**49,265,052**	**(1,641)**	**97,791,500**	**24,333,737**	**662,772,403**

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

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

	Period ended 30 June 2021	Period ended 30 June 2020
Cash flows from operating activities		
Cash receipts from customers and prepayments	234,613,211	234,573,402
Other cash receipts from regular operations	2,201,905	2,526,760
Cash paid to suppliers – purchases of material, fuel, energy and other expenses	(86,569,101)	(100,770,018)
Cash paid to and on behalf of employees	(36,416,007)	(36,857,581)
Interest paid	(3,817,909)	(4,005,325)
Income taxes paid	(3,324,761)	(3,198,624)
Other taxes and duties paid	(3,913,094)	(3,077,873)
Net cash generated by operating activities	**102,774,244**	**89,190,741**
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(28,082,731)	(30,677,704)
Proceeds from sale of property, equipment and intangible assets	131,692	29,536
Interest received	442,201	321,662
Inflows / (Outflows) from long-term financial investments	19,091	(280,615)
Inflows / (Outflows) from short-term financial investments	1,780,511	(6,382,858)
Outflows from investments into subsidiaries and associates	(13,911,815)	(59,613,621)
Net cash used in investing activities	**(39,621,051)**	**(96,603,600)**
Cash flows from financing activities		
Inflows from long-term loans	16,000,000	37,724,468
Inflows from short-term loans	-	12,487,438
Outflows from long-term financial liabilities	(46,031,827)	(42,328,511)
Outflows from short-term loans	-	(6,258,656)
Dividend and interim dividend payments to the shareholders	(13,517,983)	(12,854,308)
Outflows from lease liabilities	(6,740,496)	(6,717,883)
Other current liabilities, outflows	(11,166,071)	(6,286,979)
Net cash used in financing activities	**(61,456,377)**	**(24,234,431)**
Net increase / (decrease) in cash and cash equivalents	**1,696,816**	**(31,647,290)**
Cash and cash equivalents at the beginning of the period	9,268,164	47,934,287
Cash and cash equivalents at the end of the period	**10,964,980**	**16,286,997**

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

1. CORPORATE INFORMATION

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

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

As at 30 June 2021, the Company had equity interest in subsidiaries according to the following structure (hereinafter collectively referred to as "the Group"):

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

As at 30 June 2021, the Company had equity interest in associates according to the following structure:

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

Pursuant to a Decision passed by the Business Registers Agency of the Republic of Serbia, the associate GO4YU d.o.o. Belgrade changed its business name to *MTEL Global d.o.o.* Belgrade on 3 September 2020.

As at 30 June 2021, the Group had 2,565 employees (as at 31 December 2020: 2,585 employees).

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

As at 30 June 2021, the Group provided telecommunication services to the total number of 1,733,939 users (31 December 2020: 1,713,534 users).

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

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

1. CORPORATE INFORMATION (Continued)

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

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

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

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

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

2.1. Statement of Compliance

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

2.2. Basis of Measurement

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

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

The Group's consolidated financial statements have been prepared under the going concern principle, which implies that the Group will continue its operations in the foreseeable future. The Group is putting effort into retaining and improving its market position by providing convergent and multimedia services, ICT services, devices, equipment and network modernization.

The Group constantly generates net profit, closely monitors its liquidity, maturitiy of liabilities and the collection of receivables. The Group generates cash inflows from its operating acitivities, but it also has external sources of financing at its disposal. The Group's management believes that funds from external sources of financing together with expected inflows from business activities will be sufficient for the Group to be able to meet its contractual obligations in 2021.

2.3. Functional and Presentation Currency

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Consolidation

a) Investments in Subsidiaries

The accompanying consolidated financial statements for the six-month period ended 30 June 2021 include the financial statements of the Company ("Mtel" a.d. Banja Luka), the financial statements of subsidiaries, *Blicnet d.o.o.* Banja Luka, *Telrad Net d.o.o.* Bijeljina, *Elta–Kabel* d.o.o Doboj, *Financ* d.o.o. Banja Luka and the consolidated financial statements of the subsidiary *Logosoft* d.o.o. Sarajevo. Under the provisions of IFRS 10 *"Consolidated Financial Statements"* control over consolidated subsidiaries is achieved if the Company has:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Basis of Consolidation (Continued)

a) Investments in Subsidiaries (Continued)

The Company reassesses whether it truly exercises control over its subsidiaries in instances of certain facts and circumstances indicating that any of the above listed three elements of control has changed. When the Company has less than 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.

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

Logosoft d.o.o. Sarajevo

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

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

Blicnet d.o.o. Banja Luka

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

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

Telrad Net d.o.o. Bijeljina

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

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

Elta-Kabel d.o.o. Doboj

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Basis of Consolidation (Continued)

a) Investments in Subsidiaries (Continued)

Financ d.o.o. Banja Luka

The Company is the owner with a 100% equity interest in Financ d.o.o. Banja Luka.

Subsidiary Financ d.o.o. Banja Luka was founded in 2002 and provides mediation services in the sale of e-top-ups and numbers, scratch vouchers, USB modems and the conclusion of user agreements with potential users of the Company's services. In addition to the above, the subsidiary is also engaged in providing processing services.

b) Business Combinations

Business Combinations are accounted for using the acquisition method.

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

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

c) Goodwill

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Basis of Consolidation (Continued)

d) Investments in Associates

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

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

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

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

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

As at 30 June 2021, the Company had 49% of equity interest in the associate MTEL d.o.o. Podgorica (Montenegro) while the remaining 51% of equity interest is in the ownership of the Group's parent company – Telekom Srbija a.d. Belgrade, and 41% of equity interest in MTEL Global d.o.o. Belgrade (Republic of Serbia) while the remaining 59% is in the ownership of the Group's parent company – Telekom Srbija a.d. Belgrade.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Revenues

Revenue Recognition

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

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

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

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

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

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

3.2.1. Income from Fixed-Line Network

Revenue from the telephony traffic (fixed-line network) is recognized based upon of traffic processed.

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

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

3.2.2. Income from Interconnection with Local Operators

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

3.2.3. Income from Mobile Network

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Income (Continued)

3.2.4. Income from the Sale of Combined Services

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

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

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

3.2.5. Income and Expenses from International Settlements and Roaming

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

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

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

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

3.2.6. Internet Income

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

3.2.7. Integrated Services

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

3.2.8. Other Income from Telecommunication Services

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Leases

The Group as a Lessee

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

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

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

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

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

The Group as a Lessor

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

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

3.4. Foreign Currencies

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Income Taxes

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

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

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

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

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

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

The prescribed depreciation / amortization rates are presented below:

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

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

3.6. Intangible Assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Intangible Assets (Continued)

Customer relations which represent contractual arrangements with the users, intermediary data base which refers to arrangements with different agents and trademark are recognized at appraised value after business combination of the acquisition of a subsidiary, less accumulated amortization and aggregate impairment losses, if any.

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

3.7. Property and Equipment

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

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

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

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

3.8. Depreciation and Amortization

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Depreciation and Amortization (Continued)

The estimated useful lives of particular classes of property and equipment, as well as intangible assets used in the calculation of depreciation and amortization, and prescribed depreciation and amortization rates in use for the period ended 30 June 2021, are as follows:

	Estimated Useful Life (in Years)
Licences for the use of radio frequency spectrum	15
Licenses and application software	5
Buildings	8 - 55.5
Antenna masts	30
Distribution network and channelling	25 - 75.2
Switching systems and service platforms	3 - 11
Transmission network	4 - 20
Wireless access network	5 - 15
Equipment within the access network and terminal equipment	4 - 11
Computer equipment	4 - 5
Office furniture and other equipment	5 - 8

3.9. Non-Current Assets Available for Sale

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

3.10. Impairment of Non-Financial Assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Impairment of Non-Financial Assets (Continued)

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

As of 30 June 2021, in the management's opinion, there were no indications that the value of the Group’s intangible assets, property and equipment had suffered impairment.

3.11. Financial Instruments

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

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

Financial Assets

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

Following the initial recognition, financial assets are measured at:

1) amortized cost,
2) fair value through other comprehensive income (FVTOCI), and
3) fair value through profit or loss (FVTPL).

Financial assets are measured at amortized cost if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, unless they are initially irrevocably recognized at fair value through profit or loss (if this results in significant decrease/elimination of the accounting mismatch).

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments (Continued)

Financial Assets (Continued)

Financial assets are measured at fair value through other comprehensive income (FVTOCI) if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, unless they are initially irrevocably recognized at fair value through profit or loss (if this results in significant decrease/elimination of the accounting mismatch).

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

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

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

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

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

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

Financial Liabilities

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

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

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

Interest payable on the financial liabilities is calculated using the effective interest method. It relates to and is presented within other current liabilities.

Financial liabilities cease to be recognized when the Group fulfils the obligations, or when the contractual repayment obligation either has been cancelled or has expired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Inventories

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

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

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

3.13. Provisions

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

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

3.14. Employee Benefits

a) Employee Taxes and Contributions for Social Security

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

b) Liabilities for Retirement Benefits and Jubilee Awards

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15. Segment Reporting

The Group applies IFRS 8 “Operating Segments”, which requires the identification of operating segments based on internal reports about components of the Group that are regularly reviewed by managers responsible for making key decisions for the purpose of allocating adequate resources to these segments, as well as analysing their results. Segment information is analysed based on the type of services provided by the operating components of the Group (*Note 39*).

4. SIGNIFICANT ACCOUNTING ESTIMATES

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

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

Estimated Useful Life of Property, Equipment and Intangible Assets

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

Due to the significance of non-current assets in the Group’s total assets, any change in the above-mentioned assumptions may lead to material effects on the Group’s financial position, as well as on its financial performance. For example, if the Group were to shorten and/or extend the average useful life of assets by 10%, this would have resulted in the six-month period ended as at 30 June 2021 in an additional (lower) costof depreciation and amortization by BAM 6,471,773 (comparative figure in 2020: BAM 6,982,266).

Impairment of Trade Receivables

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

Provisions

Provisions in general are highly judgmental. The Group assesses the probability of an adverse events as a result of a past events and if the probability is evaluated to higher than 50%, the Group fully provides for the total amount of the liability. The Group is rather prudent in these assessments but, due to the high level of uncertainty, in certain cases the estimates may not prove to be in line with the actual outcomes (*Note 30).*

4. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Income and Expenses from International Traffic

Income (expenses) and receivables (payables) that have originated under agreements executed with international operators are presented in the accompanying consolidated financial statements and are associated with the income and expenses generated on all incoming and outgoing international calls realized with the countries maintaining direct international traffic calculation. A portion of the income earned or expenses incurred is recorded on the basis of an estimate made in accordance with the internal settlements for realized traffic (Notes 23 and 32). Management believes that the internal calculations/accounts of international traffic are adequate and that they reflect the actually realized international traffic in the relevant period.

Fair Value

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

5. SALES OF GOODS AND SERVICES

	In BAM Period ended 30 June 2021	2020
Sales in domestic market:		
Fixed-line network	29,136,431	30,772,271
Mobile network	90,235,178	87,266,406
Integrated services	55,251,896	52,689,955
Internet services	16,419,561	15,999,607
Combined services	19,271,361	18,010,857
Goods	949,992	800,247
ICT and other services	6,748,845	5,326,990
Total sales in domestic market	**218,013,264**	**210,866,333**
International market sales:		
International settlements	17,488,781	17,675,876
Sales of licences, ICT and other services	3,558,989	4,294,871
Total international market sales	**21,047,770**	**21,970,747**
Total sales of goods and services	**239,061,034**	**232,837,080**

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

6. OTHER OPERATING INCOME

	In BAM Period ended 30 June 2021	2020
Rental income	1,638,812	1,180,107
Reversal of deferred income (from grants) (*Note 28)*	6,183	6,183
Other income	2,321,532	2,847,854
	3,966,527	**4,034,144**

7. COST OF MATERIALS, MERCHANDISE AND COMBINED SERVICES

	In BAM Period ended 30 June 2021	2020
Materials for combined services	23,220,883	22,330,445
Cost of commercial goods sold	1,186,700	3,105,001
Electricity	3,371,955	3,287,407
Fuel and lubricants	716,616	588,864
Other costs of materials	1,390,069	1,506,871
	29,886,223	**30,818,588**

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

8. STAFF COSTS

	In BAM Period ended 30 June 2021	2020
Gross salaries	36,900,997	36,408,108
Remunerations to Management Board and Audit Committee members	188,448	177,615
Retirement benefits	999,449	882,637
Other personal expenses	6,163,977	5,725,308
	44,252,871	**43,193,668**

9. COST OF PRODUCTION SERVICES

	In BAM Period ended 30 June	
	2021	**2020**
International settlement costs	12,891,193	12,547,997
Maintenance costs	9,869,480	9,742,322
Rental costs for land and business premises	540,056	509,959
Marketing and advertising costs	8,049,701	5,547,656
Fees for media content transmission	9,406,460	12,128,769
Other production services	14,951,944	12,961,453
	55,708,834	**53,438,156**

10. OTHER OPERATING EXPENSES

	In BAM Period ended 30 June	
	2021	**2020**
Indirect taxes and contributions payable	2,290,451	2,165,500
Fees payable to the Communications Regulatory Agency	5,682,719	5,385,674
Losses on retirement and disposal of property, equipment and intangible assets	36,797	43,529
Provision costs	-	1,765,304
Other expenses	5,862,533	5,472,540
	13,872,500	**14,832,547**

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

11. FINANCIAL INCOME AND EXPENSES

	In BAM Period ended 30 June	
	2021	**2020**
Interest income		
- interest on deposits	3,871	12,443
- other interest	445,861	310,482
	449,732	322,925
Other financial income	1,132	-
Foreign exchange gains	125,481	173,421
Total financal income	576,345	496,346
Interest expenses		
- arising from loan agreements	(3,105,734)	(3,205,633)
- arising from lease liabilities	(650,232)	(729,699)
- other interest	(16,816)	(7,954)
	(3,772,782)	(3,943,286)
Foreign exchange losses	(270,793)	(216,281)
Total financal expenses	(4,043,575)	(4,159,567)
Financal expenses, net	**(3,467,230)**	**(3,663,221)**

12. INTANGIBLE ASSETS AND GOODWILL

In BAM
30 June 2021 and 31 December 2020

	Goodwill	Customer Relations	Mediator Data Base	Trademark	Licenses for the use of radio frequency spectrum	Other Licenses	Other Intangible Assets	Contract Costs Capitalized	Intangible Assets Under Construction	Total Intangible Assets
Cost										
Balance, 1 January 2020	76,892,503	85,117,279	-	4,091,596	157,188,477	11,778,364	133,662,904	5,915,590	22,218,096	496,864,809
Additions during the year	-	-	-	-	-	-	35,333,979	3,631,925	4,412,583	43,378,487
Funds acquired through a business combination	-	-	7,662,942	-	-	-	-	-	-	7,662,942
Activations and transfers	-	-	-	-	-	350,599	3,880,210	51,882	(4,282,691)	-
Disposals	-	-	-	-	-	(18,631)	(72,813)	-	-	(91,444)
Transfer from/to property and equipment	-	-	-	-	-	-	-	283,925	(785,329)	(501,404)
Other	(611,478)	-	-	-	-	(141,224)	(9,811,212)	(3,624,601)	(44)	(14,188,559)
Balance, 31 December 2020	**76,281,025**	**85,117,279**	**7,662,942**	**4,091,596**	**157,188,477**	**11,969,108**	**162,993,068**	**6,258,721**	**21,562,615**	**533,124,831**
Balance, 1 January 2021	76,281,025	85,117,279	7,662,942	4,091,596	157,188,477	11,969,108	162,993,068	6,258,721	21,562,615	533,124,831
Additions during the period	-	-	-	-	-	-	19,050,763	3,878,354	2,965,647	25,894,764
Activations and transfers	-	-	-	-	-	752,435	4,809,110	68,831	(5,630,376)	-
Transfer from/to property and equipment	-	-	-	-	-	-	100,000	145,853	(38,168)	207,685
Other	-	-	-	-	-	-	(5,407,881)	(785,396)	1,485	(6,191,792)
Balance, 30 June 2021	**76,281,025**	**85,117,279**	**7,662,942**	**4,091,596**	**157,188,477**	**12,721,543**	**181,545,060**	**9,566,363**	**18,861,203**	**553,035,488**
Accumulated Amortization										
Balance, 1 January 2020	-	3,002,526	-	136,387	130,404,296	9,308,170	81,222,355	3,146,760	-	227,220,494
Charge for the year	-	3,926,575	1,666,045	409,159	1,870,543	1,066,269	25,065,779	2,939,615	-	36,943,985
Disposals	-	-	-	-	-	(18,631)	(72,812)	-	-	(91,443)
Other	-	-	-	-	-	-	(6,223,772)	(3,624,601)	-	(9,848,373)
Balance, 31 December 2020	**-**	**6,929,101**	**1,666,045**	**545,546**	**132,274,839**	**10,355,808**	**99,991,550**	**2,461,774**	**-**	**254,224,663**
Balance 1 January 2021	-	6,929,101	1,666,045	545,546	132,274,839	10,355,808	99,991,550	2,461,774	-	254,224,663
Charge for the period	-	1,963,288	999,630	204,580	935,272	462,697	14,824,780	1,880,244	-	21,270,491
Other	-	-	-	-	-	-	(5,300,532)	(924,997)	-	(6,225,529)
Balance, 30 June 2021	**-**	**8,892,389**	**2,665,675**	**750,126**	**133,210,111**	**10,818,505**	**109,515,798**	**3,417,021**	**-**	**269,269,625**
Net Book Value										
30 June 2021	**76,281,025**	**76,224,890**	**4,997,267**	**3,341,470**	**23,978,366**	**1,903,038**	**72,029,262**	**6,149,342**	**18,861,203**	**283,765,863**
31 December 2020	**76,281,025**	**78,188,178**	**5,996,897**	**3,546,050**	**24,913,638**	**1,613,300**	**63,001,518**	**3,796,947**	**21,562,615**	**278,900,168**

12. INTANGIBLE ASSETS AND GOODWILL (Continued)

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

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

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

Other intangible assets mainly consist of the software in the net amount of BAM 12,205,286 and capitalized TV rights in the net amount of BAM 58,317,466.

Capitalized contract costs pertain to the assets arising from the costs of implementing or obtaining contracts, which are capitalized under IFRS 15 and recognized over the average customer contract term.

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

13. RIGHT-OF-USE ASSETS

			In BAM
	30 June 2021 and FY 2020		
	Land and buildings	Vehicles	Total
Balance, 1 January 2020	61,001,314	189,711	61,191,025
Additions	7,747,851	137,286	7,885,137
Depreciation/amortisation	(13,697,095)	(80,577)	(13,777,672)
Modification of the lease period	(170,670)	-	(170,670)
Balance, 31 December 2020	**54,881,400**	**246,420**	**55,127,820**
Balance, 1 January 2021	54,881,400	246,420	55,127,820
Additions	4,496,799	87,111	4,583,910
Depreciation/amortisation	(6,971,455)	(61,377)	(7,032,832)
Modification of the lease period	(187,888)	-	(187,888)
Balance, 30 June 2021	**52,218,856**	**272,154**	**52,491,010**

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

14. PROPERTY AND EQUIPMENT

In BAM
30 June 2021 and 31 December 2020

	Land	Property and Infrastructure	Leasehold Improvements	Equipment	Fixed Assets Under Constructio n	Total Fixed Assetst
Cost						
Balance , 1 January 2020	1,740,580	879,735,499	3,408,207	717,717,934	75,660,358	1,678,262,578
Additions during the year	-	1,782,688	109,261	3,770,395	73,891,546	79,553,890
Assets acquired through a business combination	-	-	-	457,184	-	457,184
Activations and transfers	16,360	20,216,267	372,715	39,659,682	(60,265,024)	-
Transfer from/to intangible assets	-	-	-	-	501,404	501,404
Disposals	-	(3,013,062)	-	(42,767,453)	(468,867)	(46,249,382)
Shortages	-	-	-	(753)	(10,060)	(10,813)
Dismantlement	-	-	-	(933,465)	(51,678)	(985,143)
Sales	-	(51,594)	-	(46,358)	-	(97,952)
Transfer to assets held for sale	-	-	-	(251,977)	(73,929)	(325,906)
Other	-	-	-	(3,710)	(47,210)	(50,920)
Balance, 31 December 2020	**1,756,940**	**898,669,798**	**3,890,183**	**717,601,479**	**89,136,540**	**1,711,054,940**
Balance,1 January 2021	1,756,940	898,669,798	3,890,183	717,601,479	89,136,540	1,711,054,940
Additions during the period	-	664,187	22,917	2,919,131	40,149,235	43,755,470
Activations and transfers	-	13,325,487	281,040	16,118,296	(29,724,823)	-
Transfer from/to intangible assets	-	-	-	70,490	(278,175)	(207,685)
Disposals	-	-	-	(19,954,599)	-	(19,954,599)
Dismantlement	-	-	-	(206,462)	(56,182)	(262,644)
Sales	-	-	-	(258,976)	-	(258,976)
Transfer to assets held for sale	-	-	-	(16,934)	(105,608)	(122,542)
Other	-		-	(169,598)	64,002	(105,596)
Balance, 30 June 2021	**1,756,940**	**912,659,472**	**4,194,140**	**716,102,827**	**99,184,989**	**1,733,898,368**
Accumulated depreciation						
Balance, 1 January 2020	-	537,517,193	2,474,480	504,131,734	-	1,044,123,407
Charge for the year	-	16,497,449	380,938	59,580,459	-	76,458,846
Disposals	-	(3,199,428)	-	(42,036,655)	-	(45,236,083)
Shortages	-	-	-	(366)	-	(366)
Dismantlement	-	-	-	(985,143)	-	(985,143)
Sales	-	(5,519)	-	(43,925)	-	(49,444)
Transfer to assets held for sale	-	-	-	(251,977)	-	(251,977)
Other	-	-	-	(3,311)	-	(3,311)
Balance, 31 December 2020	**-**	**550,809,695**	**2,855,418**	**520,390,816**	**-**	**1,074,055,929**
Balance, 1 January 2021	-	550,809,695	2,855,418	520,390,816	-	1,074,055,929
Charge for the period	-	8,326,192	214,352	27,873,863	-	36,414,407
Disposals	-	-	-	(19,917,802)	-	(19,917,802)
Dismantlement	-	-	-	(262,644)	-	(262,644)
Sales	-	-	-	(247,446)	-	(247,446)
Transfer to assets held for sale	-	-	-	(16,934)	-	(16,934)
Other	-	(8)	-	(26,467)	-	(26,475)
Balance, 30 June 2021	**-**	**559,135,879**	**3,069,770**	**527,793,386**	**-**	**1,089,999,035**
Net book value						
30 June 2021	**1,756,940**	**353,523,593**	**1,124,370**	**188,309,441**	**99,184,989**	**643,899,333**
31 December 2020	**1,756,940**	**347,860,103**	**1,034,765**	**197,210,663**	**89,136,540**	**636,999,011**

14. PROPERTY AND EQUIPMENT (Continued)

As at 30 June 2021, investments in progress mainly related to the purchased telecommunication equipment not yet placed into use. As at 30 June 2021, there were no encumbrances on and restrictions to the Group's titles and ownership rights over property and equipment. Contractually agreed but not yet realized liabilities of the Group for capital expenditures totalled BAM 46,730,521 as at 30 June 2021 (31 December 2020: BAM 45,155,240).

15. INVESTMENTS IN ASSOCIATES

	Interest	In BAM 30 June 2021	31 December 2020
a) Investment in Mtel d.o.o. Podgorica (Montenegro):	49%		
- Cost of the investment in Mtel d.o.o. Podgorica		143,565,421	132,065,141
- Adjustment of the cost of investment based on recognition of portion of profit/(loss) using the equity method		34,818,943	30,518,002
Investment in MTEL d.o.o. Podgorica, net			
- Cost of the investment in Mtel d.o.o. Podgorica		178,384,364	162,583,143
b) Investment in Mtel Global d.o.o. Belgrade (Serbia):	41%		
- Cost of the investment in Mtel Global d.o.o. Belgrade		32,417,551	29,699,279
- Adjustment of the cost of investment based on recognition of portion of profit/(loss) using the equity method		(13,211,016)	(11,270,259)
Investment in Mtel Global d.o.o. Belgrade, net		19,206,535	18,429,020
Total investment in associates		**197,590,899**	**181,012,163**

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

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

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

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

Investments in the associates MTEL d.o.o. Podgorica and MTEL Global d.o.o. Belgrade are accounted for using the equity method. The Group's share in the profit of MTEL d.o.o. Podgorica for the six-month period ended 30 June 2021 amounted to BAM 4,300,941, whereas the Group's share in the loss of MTEL Global d.o.o. Belgrade amounted to BAM 1,940,757.

15. INVESTMENTS IN ASSOCIATES (Continued)

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

	In BAM	
	Period ended 30 June 2021	**Year ended 31 December 2020**
Balance, 1 January	181,012,163	168,846,628
Recapitalisation of MTEL d.o.o. Podgorica	11,500,280	-
Investment in MTEL Global d.o.o. Belgrade	2,718,272	12,028,355
The share in profit of the associates that is accounted for using the equity method (Note *3.1.e*)	2,360,184	137,180
Balance, end of the period/year	**197,590,899**	**181,012,163**

16. OTHER INVESTMENTS

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

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

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

17. LONG-TERM RECEIVABLES AND LOANS

	In BAM 30 June 2021	31 December 2020
Long-term loans to employees	69,101	71,113
Less: Current portion of long-term loans due within one year *(Note 22)*	(69,101)	(70,157)
Total non-current portion of long-term loans to employees	-	956
Other long-term loans	248,807	265,966
Current portion of long-term loans due within one year	(34,318)	(34,318)
	214,489	231,648
- Other long-term deposits	176,025	176,025
- Other long-term investments	10,922	13,120
Total other long-term deposits and investments	186,947	189,145
Total long-term receivables and loans	**401,436**	**421,749**
Less: Accumulated impairment losses:		
- impairment allowance of long-term loans to employees	(3,602)	(3,753)
- impairment allowance of other long-term loans	(18,601)	(21,197)
- impairment allowance of long-term investments	(21,907)	(24,184)
	(44,110)	**(49,134)**
	357,326	**372,615**

18. INVENTORIES

	In BAM 30 June 2021	31 December 2020
Material	4,818,591	4,379,004
Goods	236,310	210,591
Material for combined services	11,010,532	12,055,580
Advances paid to suppliers	1,059,035	1,450,158
	17,124,468	**18,095,333**

19. TRADE RECEIVABLES

	In BAM 30 June 2021	31 December 2020
Trade receivables:		
- related parties (Note 35 *(a))*	17,088,421	11,583,701
- domestic	136,569,373	133,457,190
- foreign	2,397,921	1,496,565
Gross trade receivables	**156,055,715**	**146,537,456**
Less: Impairment allowance of trade receivables for expected credit losses	(66,545,286)	(64,101,612)
	89,510,429	**82,435,844**

The Group's total gross trade receivables as at 30 June 2021 amount to BAM 156,055,715. The Group used a simplified approach in recognition of the lifetime expected credit losses for trade receivables and other receivables not containing a significant financing component, by grouping those per different customer characteristics and historical loss trends.

The total value of the impairment allowance as at 30 June 2021 amounts to BAM 66,545,286 and represents 42.64% of the total gross value of trade receivables. The movements in the allowance for impairment of receivables are shown in Note 21 to the consolidated financial statements.

20. OTHER RECEIVABLES

	In BAM 30 June 2021	31 December 2020
Other receivables	1,744,822	1,775,565
Less: Impairment allowance of other receivables	(502,492)	(498,509)
	1,242,330	**1,277,056**

21. IMPAIRMENT OF FINANCIAL ASSETS

	In BAM Period 1 January – 30 June 2021 and commercial 2020		
	Trade Receivables (*Note 19*)	**Other Receivables (*Note 20*)**	**Total**
Balance, 1 January 2020	62,001,843	720,220	62,722,063
Adjustments during the year debited to comprehensive income	3,632,442	89,272	3,721,714
Write-off of receivables	(1,970,381)	-	(1,970,381)
Increase arising from business combinations	347,472	-	347,472
Other	90,236	(310,983)	(220,747)
Balance, 31 December 2020	**64,101,612**	**498,509**	**64,600,121**
Balance, 1 January 2021	64,101,612	498,509	64,600,121
Adjustments during the period debited to comprehensive income	2,476,895	-	2,476,895
Adjustments during the period credited to comprehensive income	(484)	-	(484)
Write-off of receivables	(28,754)	-	(28,754)
Other	(3,983)	3,983	-
Balance, 30 June 2021	**66,545,286**	**502,492**	**67,047,778**

22. DEPOSITS AND LOAN RECEIVABLES

	In BAM **30 June 2021**	**31 December 2020**
Short-term deposits	8,244,340	10,024,848
Loans to employees due within one year (*Note 17*)	69,101	70,157
Other loans due within one year (Note 17)	34,318	34,318
Short-term loans to related parties	-	977,915
	8,347,759	**11,107,238**

23. PREPAYMENTS AND ACCRUED INCOME

	In BAM 30 June 2021	31 December 2020
Accrued receivables	2,053,280	1,607,183
Contractual assets	10,482,648	11,592,286
Prepaid expenses	1,882,814	1,142,158
Deferred input and output advance invoices for the purpose of VAT accrual	3,157,111	3,119,985
	17,575,853	**17,461,612**

Accrued receivables mostly, in the amount of BAM 1,266,142 relate to the estimates of the international traffic and roaming made in accordance with the internal calculation of the traffic realized and calculation received from the clearing house, while BAM 385,229 pertains to the accrued receivables per the estimated roaming discounts to be received based on the international traffic agreed with other operators. Contractual assets represent the Group's entitlement to considerations in exchange for goods or services the Group transferred to the customers, when the entitlement is dependent on factors other than the passage of time (e.g., delivery of other elements of the contract). The Group recognizes contractual assets mainly from the contract under which the devices are delivered at a specific time as part of the package with services rendered over time.

24. CASH AND CASH EQUIVALENTS

	In BAM 30 June 2021	31 December 2020
Gyro accounts	9,132,883	5,211,560
Foreign currency accounts	1,689,689	3,930,750
Cash on hand	40,839	24,285
Cash equivalents	101,569	101,569
	10,964,980	**9,268,164**

25. EQUITY

Share Capital

The Company's share capital structure (as per the Book of Shareholders maintained by the Republic of Srpska Central Registry of Securities, Banja Luka) as of 30 June 2021 and 31 December 2020 was as follows:

	30 June 2021	In %	31 December 2020	In %
Telekom Srbija a.d. Belgrade, Serbia	319,428,193	65.01	319,428,193	65.01
RS Pension and Disability Insurance Fund, Banja Luka	43,840,269	8.92	43,840,269	8.92
RS Restitution Fund, Banja Luka	24,715,439	5.03	24,715,439	5.03
Duif Kristal invest a.d. – OMIF Future Fund	12,186,008	2.48	12,861,604	2.62
Other shareholders	91,213,846	18.56	90,538,250	18.42
	491,383,755	**100**	**491,383,755**	**100**

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

The Company's shares are listed on Banja Luka Stock Exchange in Republic of Srpska (active but insufficiently developed financial market). The market value of one share as at 30 June 2021 amounts to BAM 1.14 (31 December 2020: BAM 0.99). Earnings and dividend per share are disclosed in *Note 36* to the consolidated financial statements.

Legal Reserves

Legal reserves as at 30 June 2021, amounting to BAM 49,265,052 represent allocations from profit made pursuant to Article 231 of the Company Law in the amount of no less than 5% of the net profit for the year less prior year losses until such reserves, until together with equity reserves, attain a level equivalent to 10% of the Company's total share capital or greater portion of the share capital defined by Company Statute.

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

Other Reserves - Reserves Arising from the Investment Commitment

Other reserves as at 30 June 2021, amounting to BAM 97,791,500 entirely pertained to the reserves formed during 2008 based on the execution of the commitment to invest undertaken by the majority owner (Telekom Srbija a.d. Belgrade), as the purchaser of the majority block of the Company's shares.

26. INTEREST-BEARING BORROWINGS AND BORROWINGS

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

The average interest rate accrued on long-term borrowings for the purchase of equipment equals six-month EURIBOR as increased by the margin ranging from 0.5% to 1% per annum (2020: six-month EURIBOR as increased by the margin ranging from 0.5% to 1% per annum). The interest rate applied to the cash loan is in accordance with the current market conditions.

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

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

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

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

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

27. LEASE LIABILITIES

	Land and buildings	Vehicles	Total
			In BAM
			30 June 2021 and FY 2020
Balance, 1 January 2020	62,184,331	186,865	62,371,196
New additions	7,747,851	137,286	7,885,137
Interest expense (*Note* 11)	1,413,165	5,280	1,418,445
Modification of the lease period	(367,930)	-	(367,930)
Liability closing	(14,504,912)	(96,032)	(14,600,944)
Balance, 31 December 2020	**56,472,505**	**233,399**	**56,705,904**
Balance,1 January 2021	56,472,505	233,399	56,705,904
New additions	4,496,799	87,111	4,583,910
Interest expense (*Note* 11)	647,171	3,061	650,232
Modification of the lease period	(231,526)	(1,130)	(109,038)
Liability closing	(7,269,647)	(63,583)	(7,333,230)
Balance, 30 June 2021	**54,115,302**	**258,858**	**54,374,160**
Less: Portion of long-term leases due within one year	(12,826,590)	-	(12,826,590)
Balance, 30 June 2021	**41,288,712**	**258,858**	**41,547,570**

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

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

28. DEFERRED INCOME

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

28. DEFERRED INCOME (Continued)

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

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

29. EMPLOYEE BENEFITS

	30 June 2021	In BAM 31 December 2020
Employee benefits		
- non-current portion	6,263,126	6,491,502
- current portion	685,115	671,881
	6,948,241	**7,163,383**

Long-term provisions for employee benefits as at 30 June 2021 in the amount of BAM 6,948,241 relate to the non-current and current provisions formed based on the calculation of present value of accumulated employee entitlements to retirement benefits and jubilee awards in accordance with IAS 19 "*Employee Benefits*".

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

Accordingly, the Group has hired a certified actuary to perform the calculation of the present value of accumulated rights to retirement benefits and jubilee awards as at 31 December 2020 on behalf of the Group. When calculating the present value of these accumulated rights to retirement benefits and jubilee awards, the authorized actuary used the following assumptions: a discount rate from 3.2% to 3.5% per annum, projected salary growth rate ranging from 0.4% to 3.2% annually, projected years of service for retirement - 40 years for men and 35 to 40 years for women, the projected staff turnover on the basis of historical data on the movement of employees in the past, officially published mortality rates and other conditions necessary for exercising the right to retirement benefits and jubilee awards.

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

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

29. EMPLOYEE BENEFITS (Continued)

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

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

				In BAM
	Current portion		**Non-current portion**	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**
Balance, 1 January	671,881	604,280	6,491,502	6,538,326
Charge for the period/year (*Note 10*)	-	70,095	-	426,491
Transfer from/to the current portion	228,376	457,985	(228,376)	(457,985)
Payments during the period/year	(228,377)	(460,479)	-	(15,330)
Other	13,235	-	-	-
Balance, end of period/year	**685,115**	**671,881**	**6,263,126**	**6,491,502**

30. PROVISIONS

	In BAM	
	Period ended 30 June 2021	**Year ended 31 December 2020**
Balance, 1 January	3,832,683	2,413,829
Provisions for litigations	-	24,000
Reversal of provisions for litigations	-	(35,032)
Other provisions	-	1,429,886
Balance, end of period/year	**3,832,683**	**3,832,683**

31. TRADE PAYABLES

	In BAM	
	30 June 2021	**31 December 2020**
Trade payables:		
- related parties (Note *35(a))*	10,140,814	3,897,383
- domestic	60,115,808	53,530,207
- foreign	12,312,390	12,199,231
- for uninvoiced investments and services	2,386,807	7,204,294
	84,955,819	**76,831,115**

Trade payables are non-interest bearing. The Group regularly settles its liabilities to suppliers and has financial risk management policies in order to ensure that the liabilities are settled within the agreed time lines. The average days payable outstanding in the six-month period ended 30 June 2021 counted 109 days (year ended 31 December 2020: 86 days).

31. TRADE PAYABLES (Continued)

The ageing structure of trade payables as at 30 June 2021 and 31 December 2020 was as follows:

	In BAM 30 June 2021	31 December 2020
From 0 to 30 days	70,015,896	55,205,761
From 31 to 60 days	7,628,243	9,887,885
From 61 to 120 days	4,261,354	7,576,104
From 121 to 180 days	1,376,312	3,146,517
From 181 to 270 days	1,165,942	605,038
From 271 to 360 days	508,072	409,810
	84,955,819	**76,831,115**

32. ACCRUALS AND DEFERRED INCOME

	In BAM 30 June 2021	31 December 2020
Deferred income – sales of prepaid top-ups	5,270,527	3,886,610
Accrued liabilities – international traffic	3,539,966	4,509,166
Accrued liabilities – media content distribution/broadcasting	5,821,047	4,294,468
Accrued liabilities per other expenses of the period	13,924,936	10,147,905
Accrued VAT liabilities on advance invoices	2,859,932	2,862,322
Other accruals	491,088	343,743
	31,907,496	**26,044,214**

Accrued liabilities for international traffic totalling BAM 3,539,966 as at 30 June 2021, mostly relate to the estimates of roaming discounts that the Group needed to approve based on the roaming realized with related parties.
Accrued liabilities per other expenses of the period amounting to BAM 13,924,936 as at 30 June 2021 represent expenses of the current period for which there were sufficient information on their existence and inception yet the Group had not received the final invoices for services or goods received until these consolidated financial statements' preparation date.

33. OTHER LIABILITIES

	In BAM 30 June 2021	31 December 2020
Advances and prepayments received from customers	1,948,880	1,869,279
Taxes and customs duties charged to expenses	280,103	293,726
Value added tax payable	4,509,337	3,149,148
Liabilities to employees	6,671,484	792,273
Liabilities for acquiring equity interest	11,579,179	12,250,355
Liabilities for TV rights	19,024,461	15,235,487
Other liabilities	1,856,699	1,929,696
	45,870,143	**35,519,964**

34. INCOME TAXES

(a) Components of Income Taxes

	In BAM Period ended 30 June 2021	2020
Current income tax expense	2,871,067	2,499,977
Deferred tax expense – increase in deferred tax assets	(31,580)	(75,094)
Deferred tax income – increase/(decrease) in deferred tax liabilities	93,628	(500,413)
	2,933,115	**1,924,470**

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

	In BAM Period ended 30 June 2021	2020
Profit before tax	31,005,754	16,397,136
Income tax expense	3,292,158	1,639,714
Adjustments of expenses/income for:		
- Non-taxable income effects	(446,937)	(283,479)
- the effect of non - taxable income on the basis of derecognition of assets and liabilities (note 6)		-
- Non-deductible costs effects	25,846	1,143,742
- temporary differences effects	62,048	(575,507)
- the effect of recognizing unused tax credits based on transferred tax losses	-	-
Income tax	2,933,115	1,924,470
Effective tax rate for the period	9.46%	11.74%

(c) Deferred Tax Assets

	In BAM Period ended 30 June 2021	Year ended 31 December 2020
Balance, 1 January	1,036,833	951,520
Increase in deferred tax assets	31,580	31,532
Assumed tax assets acquired through a business combination	-	53,781
Balance, end of the period/year	**1,068,413**	**1,036,833**

34. INCOME TAXES (Continued)

(d) Deferred Tax Liabilities

	In BAM 30 June 2021	31 December 2020
Balance, 1 January	(10,691,455)	(9,455,034)
Increase in deferred tax liabilities during the year	(442,450)	(1,134,091)
Initial recognition of deferred taxes based on a business combination	-	(766,685)
Reduction of deferred taxes based on business combination	348,822	664,355
Balance, end of the period/year	**(10,785,083)**	**(10,691,455)**

(e) Current Tax receivables

	In BAM 30 June 2021	31 December 2020
Receivables for overpaid income tax	1,003,041	497,429
Balance, end of the period/year	**1,003,041**	**497,429**

35. RELATED PARTY TRANSACTIONS

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

a) STATEMENT OF FINANCIAL POSITION

In BAM

30 June 2021	Parent Company	Associates	Other related parties	TOTAL
Capitalised TV rights	13,291,066	-	1,901,067	15,192,133
Property and equipment	-	48,896	-	48,896
Total non-current assets	**13,291,066**	**48,896**	**1,901,067**	**15,241,029**
Trade receivables	11,355,737	4,537,242	1,195,442	17,088,421
Interest receivables	-	89,359	-	89,359
Dividend receivables	-	-	-	-
Uninvoiced, calculated income from international settlements	840,679	176,242	-	1,016,921
Short-term loans	-	-	-	-
Other short-term receivables	663	-	-	663
Total receivables	**12,197,079**	**4,802,843**	**1,195,442**	**18,195,364**
Total	**25,488,145**	**4,851,739**	**3,096,509**	**33,436,393**
Trade payables	(9,929,235)	(131,834)	(79,745)	(10,140,814)
Calculated (estimated) expenses	(3,325,779)	(1,649,471)	(572,446)	(5,547,696)
Payables for TV rights	(12,034,804)	-	(3,764,957)	(15,799,761)
Dividend payables	(38,347,342)	-	-	(38,347,342)
Total payables	**(63,637,160)**	**(1,781,305)**	**(4,417,148)**	**(69,835,613)**
Net	**(38,149,015)**	**3,070,434**	**(1,320,639)**	**(36,399,220)**

In BAM

31 December 2020	Parent Company	Associates	Other related parties	TOTAL
Capitalised TV rights	4,696,373	-	10,158,245	14,854,618
Property and equipment	-	1,373,579	-	1,373,579
Total non-current assets	**4,696,373**	**1,373,579**	**10,158,245**	**16,228,197**
Trade receivables	6,579,815	4,380,107	623,779	11,583,701
Interest receivables	-	81,168	-	81,168
Dividend receivables	-	-	-	-
Uninvoiced, calculated income from international settlements	757,393	174,577	-	931,970
Short-term loans	-	977,915	-	977,915
Other short-term receivables	-	-	-	-
Total receivables	**7,337,208**	**5,613,767**	**623,779**	**13,574,754**
Total	**12,033,581**	**6,987,346**	**10,782,024**	**29,802,951**
Trade payables	(3,550,910)	(265,986)	(80,487)	(3,897,383)
Calculated (estimated) expenses	(1,552,643)	(2,184,595)	(471,644)	(4,208,882)
Payables for TV rights	(1,881,806)	-	(4,121,489)	(6,003,295)
Dividend payables	(15,509,344)	-	-	(15,509,344)
Total payables	**(22,494,703)**	**(2,450,581)**	**(4,673,620)**	**(29,618,904)**
Net	**(10,461,122)**	**4,536,765**	**6,108,404**	**184,047**

35. RELATED PARTY TRANSACTIONS (Continued)

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

Period ended 30 June 2021				In BAM
	Parent Company	Associates	Other related parties	TOTAL
Income from the sale of goods and services	11,941,499	1,201,626	713,355	13,856,480
Interest income	-	8,191	-	8,191
Other operating income	25,134	12,876	-	38,010
Total income	**11,966,633**	**1,222,693**	**713,355**	**13,902,681**
Expenses incurred with related parties	(9,778,804)	(819,707)	(1,590,337)	(12,188,848)
Total expenses	**(9,778,804)**	**(819,707)**	**(1,590,337)**	**(12,188,848)**
Net income/(expenses)	**2,187,829**	**402,986**	**(876,982)**	**1,713,833**

Period ended 30 June 2020				In BAM
	Parent Company	Associates	Other related parties	TOTAL
Income from the sale of goods and services	13,744,763	1,097,883	86,009	14,928,655
Interest income	-	-	-	-
Other operating income	-	-	-	-
Total income	**13,744,763**	**1,097,883**	**86,009**	**14,928,655**
Expenses incurred with related parties	(8,434,042)	(833,987)	(1,493,633)	(10,761,662)
Total expenses	**(8,434,042)**	**(833,987)**	**(1,493,633)**	**(10,761,662)**
Net income/(expenses)	**5,310,721**	**263,896**	**(1,407,624)**	**4,166,993**

35. RELATED PARTY TRANSACTIONS (Continued)

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

	Period ended 30 June 2021	In BAM Period ended 30 June 2020
Short-term remunerations to key management personnel:		
- Executive Board and related party management	(915,556)	(838,169)
- Management Board	(148,105)	(147,795)
- Audit Committee	(36,191)	(32,197)
- Supervisory Board	(49,244)	(36,896)
	(1,149,095)	**(1,055,057)**

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

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

36. EARNINGS AND DIVIDEND PER SHARE

	In BAM Period ended 30 June 2021	2020
Profit for the period	28,072,640	14,472,665
Weighted average number of shares outstanding	491,383,755	491,383,755
Earnings per share (basic and diluted)	0.0571	0.0295

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

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

37. CONTINGENT LIABILITIES

Litigations

The Group 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 Group as at 30 June 2021 totalled BAM 62,501,808 not including effects of penalty (default) interest and court expenses.

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

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

38. FINANCIAL INSTRUMENTS

38.1. Capital Risk Management

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

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

38.1.1. Debt to Equity Ratio

The Group's gearing ratios as of the period/year-end were as follows:

	In BAM	
	30 June 2021	**31 December 2020**
Debt (a)	326,999,640	336,587,336
Cash and cash equivalents	(19,134,030)	(19,217,725)
Net debt	**307,865,610**	**317,369,611**
Equity (б)	662,772,403	682,900,887
Debt to equity ratio	46.45%	46.47%

(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.

38.1.2. 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, is set out in Note 3 to the consolidated financial statements.

38.2. Categories of Financial Instruments

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

	In BAM	
	30 June 2021	**31 December 2020**
Financial assets		
Financial assets subsequently measured at amortized cost	110,446,533	104,484,626
Financial assets measured at fair value through other comprehensive income	5,359	5,359
	110,451,892	104,489,985
Financial liabilities at amortized cost	**594,910,408**	**556,433,773**

38. FINANCIAL INSTRUMENTS (Continued)

38.3. Financial Risk Management

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

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

(1) Market Risk

(a) Foreign Exchange Risk

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

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

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

In BAM

	Assets		Liabilities	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**
EUR	16,079,234	11,103,786	191,464,384	200,259,507
USD	383,391	361,542	4,932,657	3,431,184
CHF	2,550	3,557	-	-
GBP	-	2,367	-	-
HRK	2,256	287	-	-
RSD	520,077	1,315,846	-	-
SEK	164	332	-	-
	16,987,672	12,787,717	196,397,041	203,690,691

Sensitivity Analysis

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

If the exchange rate had been 10% higher/lower, the Group's net profit for the six-month period ended 30 June 2021 would have decreased / increased by the amount of BAM 14,531 (for the six-month period ended 30 June 2020: BAM 4,286).

38. FINANCIAL INSTRUMENTS (Continued)

38.3. Financial Risk Management (Continued)

(1) Market Risk (Continued)

(b) Interest Rate Risk

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

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

During the six-month period ended 30 June 2021, the largest portion of the liabilities arising from borrowings had a variable interest rate which was linked to EURIBOR. Borrowings with variable interest rates were mostly denominated in foreign currency (EUR).

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

Sensitivity Analysis

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

Had interest rates applied to cash loans and loans in kind during the reporting period been higher/lower by 10% where other variables remained unaltered, the Group's net profit for the six-month period ended 30 June 2021 would have decreased / increased by the amout of BAM 310,573 (for the six-month period ended 30 June 2020: BAM 320,563) as a result of higher/lower interest expenses.

(в) Equity Price Risk

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

38. FINANCIAL INSTRUMENTS (Continued)

38.3. Financial Risk Management (Continued)

(2) Liquidity Risk

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

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

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

The Group does not use financial derivatives.

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

Maturities of the Group's financial assets and liabilities as of 30 June 2021 and 31 December 2020 were as follows:

Financial assets — In BAM

30 June 2021	**Up to 3 months**	**3-12 months**	**1-2 years**	**2-5 years**	**over 5 years**	**Total**
Non-interest bearing						
- Loans and receivables						
(including cash and cash equivalents)	102,097,015	-	-	-	-	102,097,015
Fixed interest rate						
- Fair value at amortised cost	8,193,176	173,685	45,149	105,002	242,256	8,759,268
Total	**110,290,191**	**173,685**	**45,149**	**105,002**	**242,256**	**110,856,283**
31 December 2020						
Non-interest bearing						
- Loans and receivables						
(including cash and cash equivalents)	94,270,286	-	-	-	-	94,270,286
Fixed interest rate						
- Fair value at amortised cost	9,969,595	175,254	46,105	114,188	259,335	10,564,477
Total	**104,239,881**	**175,254**	**46,105**	**114,188**	**259,335**	**104,834,763**

38. FINANCIAL INSTRUMENTS (Continued)

38.3. Financial Risk Management (Continued)

(2) Liquidity Risk (Continued)

Financial liabilities						**In BAM**
30 June 2021	**Up to 3 months**	**3-12 months**	**1-2 years**	**2-5 years**	**over 5 years**	**Total**
Other liabilities at amortized cost						
- Non-interest bearing	144,090,138	30,263,047	20,915,143	18,129,678	209,596	213,607,602
- Instruments at variable interest rate	33,505,943	70,470,533	91,582,886	125,041,808	11,358,488	331,959,658
- Instruments at fixed interest rate	3,549,587	13,648,877	19,138,886	21,912,372	6,403,944	64,653,666
Total	**181,145,668**	**114,382,457**	**131,636,915**	**165,083,858**	**17,972,028**	**610,220,926**
31 December 2020						
Other liabilities at amortized cost						
- Non-interest bearing	96,633,116	32,251,984	11,379,123	20,791,516	2,137,027	163,192,766
- Instruments at variable interest rate	21,570,027	79,809,751	88,244,532	135,092,916	15,245,993	339,963,219
- Instruments at fixed interest rate	3,517,457	13,356,611	18,641,570	29,370,704	8,380,063	73,266,405
Total	**121,720,600**	**125,418,346**	**118,265,225**	**185,255,136**	**25,763,083**	**576,422,390**

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

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

(3) Credit Risk

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

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

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

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

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

38. FINANCIAL INSTRUMENTS (Continued)

38.3. Financial Risk Management (Continued)

(3) Credit Risk (Continued)

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

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

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

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

30 June 2021	Note	External classification	Internal classification	12 month ECL or lifetime ECL?	Gross exposure	Impairment allowance	Net amount
Long-term loans and receivables	17	NA	Performing and non-performing	Lifetime ECL	8,749,195	44,110	8,705,085
Trade receivables	19	NA	Performing and non-performing	Lifetime ECL	156,055,715	66,545,286	89,510,429
Other receivables	20	NA	Performing and non-performing		1,744,822	502,492	1,242,330
Cash and cash equivalents	24	NA	Performing		10,964,980	-	10,964,980
Financial assets subsequently measured at amortized cost	16	NA	Performing		23,709	-	23,709
FVTOCI	16	NA	Performing		26,600	21,241	5,359
					177,565,021	**67,113,129**	**110,451,892**

38. FINANCIAL INSTRUMENTS (Continued)

38.3. Financial Risk Management (Continued)

(4) Fair Value

Fair Value of Financial Assets Not Measured at Fair Value

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

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

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

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

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

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

In BAM

				30 June 2021
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through OCI (*Note 16*)	5,359	-	-	5,359
Total	**5,359**	**-**	**-**	**5,359**

Total gains stated in the other comprehensive income relate to the financial assets at fair value through other comprehensive income (Nova banka a.d., Banja Luka, Note *16*).

39. SEGMENT REPORTING

39.1. Segment information

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

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

39.2. Segment Revenues and Results

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

In BAM

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

39. SEGMENT REPORTING (Continued)

39.2. Segment Revenues and Results (Continued)

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

30 June 2020	Fixed-line Network	Mobile Network	Total
Sales of goods and services	117,195,601	115,641,479	232,837,080
Other operating income	2,556,026	1,478,118	4,034,144
Inter-segment settlement	34,194,381	17,891,614	52,085,995
Cost of materials, merchandise and combined services	(8,181,369)	(22,637,219)	(30,818,588)
Staff costs	(21,052,052)	(22,141,616)	(43,193,668)
Depreciation and amortization charge	(43,898,985)	(25,923,673)	(69,822,658)
Cost of production services	(37,140,526)	(16,297,630)	(53,438,156)
Other operating expenses	(5,752,146)	(9,080,401)	(14,832,547)
Financial income – interest-bearing	170,172	152,753	322,925
Financial income - other	74,896	98,525	173,421
Impairment of financial assets	(1,339,103)	(1,700,726)	(3,039,829)
Financial expenses	(1,754,277)	(2,405,290)	(4,159,567)
Inter-segment settlement	(17,891,614)	(34,194,381)	(52,085,995)
Share in the profit of associates	(636,857)	(1,028,565)	(1,665,422)
Profit before taxes	**16,544,147**	**(147,012)**	**16,397,135**
Income tax expense	(1,924,470)	-	(1,924,470)
Net profit	**14,619,677**	**(147,012)**	**14,472,665**

Segment revenues and results reported above (for the six-month periods ended 30 June 2021 and 30 June 2020) represent revenue generated from external customers. Inter-segment sales during the period have been eliminated.

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

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

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

39. SEGMENT REPORTING (Continued)

39.3. Segment Capital Expenditures

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

	Fixed-Line Network	Mobile Network	In BAM Total
30 June 2021			
Capital expenditures (*Notes 12, 13 and 14)*	48,523,989	25,522,267	**74,046,256**
30 June 2020			
Capital expenditures (*Notes 12, 13 and 14)*	58,052,524	11,508,124	**69,560,648**

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

40. TAX RISKS

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

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

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

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

41. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE GROUP

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

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

42. EXCHANGE RATES

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

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

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