



“MTEL” a.d. BANJA LUKA

**Consolidated Financial Statements
For the Six-Month Period Ended
30 June 2023 and Independent Auditor’s Report**

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of "Mtel" a.d. Banja Luka and its subsidiaries (hereinafter collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 30 June 2023, 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 six-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as at 30 June 2023, and its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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



INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (Continued)

Key Audit Matter	Audit Procedures Applied
1. Revenue recognition (accuracy of recording revenues due to the complexity of the information systems for generating income from services rendered), Note 5 to the consolidated financial statements	
<p>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.</p>	<p>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.</p>
<p>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 2023.</p>	<p>We tested the compliance of prices and discount terms on customers' invoices with the current pricelist and discount terms on a sample basis.</p>

Key Audit Matter	Audit Procedures Applied
2. Accrual of income and expenses due to the assessment of contracted and realised roaming discounts in the international traffic , Notes 24 and 34 to the consolidated financial statements	
<p>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.</p>	<p>We reviewed contracts with major operators per income generated/expenses incurred from the roaming discount, tested sales/purchase invoices to/from operators on a sample basis and checked their accuracy, as well as their compliance with the terms defined in the agreements on roaming discounts.</p>
<p>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 2023.</p>	<p>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 2023.</p> <p>In addition, we have checked the consistency in the application of the group's accounting policies when recording the roaming discount.</p>



INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (Continued)

Key Audit Matter	Audit procedures applied
3. Capitalization of costs of investments in intangible assets and property, plant and equipment, as well as their valuation after initial recognition, Notes 12 and 13 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 2023.

We tested on a sample basis the Group's expenses recorded in current period expenses, as well as the increase recorded by the Group during the year on intangible assets and property, plant and equipment, from the point of view of meeting the criteria for capitalization of expenses, i.e. their recognition as expenses in current period. We analysed the assessments of the Group's management regarding the existence of indicators of impairment of intangible assets, property, plant and equipment, such as changes in use, reduction of market value, detection of physical damage, etc. We have considered the applied depreciation rates in relation to the useful lives of assets, plans to replace assets, previous experience in spending, as well as the realized income and expenses from the disposal of individual assets. We tested the internal controls implemented by the Group's management in this process. Based on the sample, we checked the arithmetic accuracy of the depreciation calculation and compared the rates with the previous accounting period. In addition, we tested construction in progress according to the age structure of the investment, physical condition, additionally capitalized costs during the period, the moment of putting into use and the inception of depreciation.



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

Tibor Florjan
Certified Auditor and
Person Authorised to represent

BDO d.o.o. Banja Luka
Ive Andrića 15, Banja Luka

28 September 2023

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the Six-Month Period Ended 30 June 2023
(In BAM)

	Notes	For the period ended 30 June 2023	For the period ended 30 June 2022
Sales of goods and services	5	249,874,515	243,219,506
Other operating income	6	16,162,650	13,687,829
Cost of material, goods and combined services	7	(23,145,897)	(27,983,351)
Staff costs	8	(49,296,788)	(43,536,020)
Depreciation and amortization charge	12,13,14,18	(72,466,255)	(72,029,271)
Cost of production services	9	(49,679,355)	(51,808,251)
Other operating expenses	10	(15,916,063)	(13,497,020)
Finance income – interest income	11	250,114	324,843
Finance income – other finance income	11	738,036	467,394
Impairment of financial assets	22	(1,505,653)	(1,153,113)
Financial expenses	11	(9,011,469)	(4,014,292)
Share in the profit of associates	15	9,929,197	5,470,846
Profit before taxes		55,933,032	49,149,100
Income tax expense	36 (a)	(4,696,320)	(4,557,910)
Net profit		51,236,712	44,591,190
Total comprehensive income for the period		51,236,712	44,591,190
Net profit for the period attributable to:			
Owners of the Group		51,236,712	44,591,190
Non-controlling interests		-	-
Total comprehensive income for the year attributable to:			
Owners of the Group		51,236,712	44,591,190
Non-controlling interests		-	-
Earnings per share:			
Basic and diluted earnings per share	38	0.1043	0.0907

The accompanying consolidated financial statements of the Group were approved for issuance by the Management Board of Mtel a.d. Banja Luka on 31 July 2023.

Signed on behalf of the Company and the Group by:

Jelena Trivan, Ph.D.,
CEO

L.S.

Dejan Jokic,
Executive Director of Finance

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023
(In BAM)

	Notes	30 June 2023	31 December 2022
ASSETS			
Long-term assets			
Intangible assets and goodwill	12	282,558,337	275,139,907
Property and equipment	13	713,067,201	712,436,777
Right-of-use assets	14	44,850,504	41,109,598
Investments in associates	15	216,424,409	206,497,294
Long-term receivables and loans	16	1,302,050	316,637
Other investments	17	2,047	2,047
Long-term assets based on the acquisition of contracts with customers	18	9,834,271	9,896,662
Deferred tax assets	36 (c)	902,840	882,406
		1,268,941,659	1,246,281,328
Current assets			
Inventories	19	12,534,500	12,840,989
Assets held for sale		31,701	17,861
Trade receivables	20	100,135,464	92,997,586
Receivables for overpaid income tax	36 (e)	733,970	1,120,944
Other receivables	21	2,940,613	1,497,848
Deposits and loan receivables	23	186,377	186,373
Prepayments	24	18,674,600	19,314,949
Cash and cash equivalents	25	23,283,638	24,594,033
		158,520,863	152,570,583
Total assets		1,427,462,522	1,398,851,911
EQUITY AND LIABILITIES			
Equity			
Share capital	26	491,383,755	491,383,755
Mandatory reserves	26	49,594,492	49,275,002
Revaluation reserves – actuarial gains/(losses)		78,495	78,495
Other reserves – reserves arising on the commitment to invest	26	97,791,500	97,791,500
Retained earnings		91,390,647	40,473,425
		730,238,889	679,002,177
Long-term liabilities and provisions			
Borrowings and other long-term liabilities	27	172,629,917	196,969,330
Lease liabilities	29	34,240,499	29,939,324
Liabilities for TV content distribution rights	28	37,283,230	34,355,150
Deferred income	30	6,184	12,367
Employee benefits	31	5,986,435	6,333,127
Provisions	32	2,991,442	2,964,023
Deferred tax liabilities	36 (d)	16,508,211	14,925,587
		269,645,918	285,498,908
Current liabilities			
Borrowings and other short-term liabilities	27	74,591,264	65,916,875
Lease liabilities	29	12,681,627	13,066,671
Liabilities for TV content distribution rights	28	35,318,319	28,623,700
Trade payables	33	145,097,154	156,178,093
Accruals	34	37,615,310	37,664,987
Employee benefits	31	815,635	815,635
Provisions	32	2,905,906	2,905,906
Deferred income	30	12,367	12,367
Dividend payable	38	97,044,196	109,012,126
Other liabilities	35	21,495,937	20,154,466
		427,577,715	434,350,826
Total equity and liabilities		1,427,462,522	1,398,851,911

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 2023
(In BAM)

	Share capital	Mandatory reserves	Other reserves - reserves arising on the commitment to invest	Revaluation reserves – actuarial (losses)/gains	Retained earnings	Total
Balance, 1 January 2022	491,383,755	49,265,051	97,791,500	(20,354)	40,248,384	678,668,336
Net profit for the period from 1 January to 30 June 2022	-	-	-	-	44,591,190	44,591,190
Total other comprehensive income for the period from 1 January to 30 June 2022	-	-	-	-	-	-
<i>Total comprehensive income for the period</i>	-	-	-	-	44,591,190	44,591,190
Net gains/losses for the year directly recognised under equity	-	-	-	-	3,265	3,265
Dividend paid to shareholders	-	-	-	-	(45,106,862)	(45,106,862)
Interim dividend paid to shareholders	-	-	-	-	-	-
Mandatory reserves	-	9,951	-	-	(9,951)	-
Balance, 30 June 2022	491,383,755	49,275,002	97,791,500	(20,354)	39,726,026	678,155,929
Net profit for the period from 1 July to 31 December 2022	-	-	-	-	40,432,781	40,432,781
Total other comprehensive income for the period from 1 July to 31 December 2022	-	-	-	98,849	-	98,849
<i>Total comprehensive income for the period</i>	-	-	-	98,849	40,432,781	40,531,630
Net gains/losses for the year directly recognised under equity	-	-	-	-	-	-
Dividend paid to shareholders	-	-	-	-	-	-
Interim dividend paid to shareholders	-	-	-	-	(39,685,382)	(39,685,382)
Legal reserves	-	-	-	-	-	-
Balance, 31 December 2022	491,383,755	49,275,002	97,791,500	78,495	40,473,425	679,002,177
Net profit for the period from 1 January to 30 June 2023	-	-	-	-	51,236,712	51,236,712
<i>Total comprehensive income for the period</i>	-	-	-	-	51,236,712	51,236,712
Net gains for the year directly recognised under equity	-	-	-	-	-	-
Dividend paid to shareholders	-	-	-	-	-	-
Interim dividend paid to the shareholders	-	-	-	-	-	-
Mandatory reserves	-	319,490	-	-	(319,490)	-
Balance, 30 June 2023	491,383,755	49,594,492	97,791,500	78,495	91,390,647	730,238,889

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 2023
(In BAM)

	For the period ended 30 June 2023	For the period ended 30 June 2022
Cash flows from operating activities		
Cash receipts from customers and prepayments	245,271,757	238,841,610
Other cash receipts from regular operations	1,649,836	1,978,764
Cash paid to suppliers - purchases of material, fuel, energy and other expenses	(74,395,545)	(73,717,659)
Cash paid to and on behalf of employees	(51,149,068)	(42,867,313)
Interest paid	(7,665,915)	(3,344,061)
Income taxes paid	(2,510,439)	(4,923,482)
Other taxes and duties paid	(10,687,608)	(9,062,298)
<i>Net cash generated by operating activities</i>	100,513,018	106,905,561
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(52,448,585)	(30,110,390)
Proceeds from sale of property, equipment and intangible assets	116,100	244,888
Interest received	249,390	322,093
Inflows from long-term financial investments	(1,000,000)	-
Outflows from short-term financial investments	-	1,130,358
Outflows from investments in subsidiaries and associates	-	(4,107,243)
Inflows from other long-term financial investments	16,527	20,827
<i>Net cash used in investing activities</i>	(53,066,568)	(32,499,467)
Cash flows from financing activities		
Inflows from short-term borrowings	1,050,981	352,866
Outflows from long-term financial liabilities	(29,962,039)	(55,423,144)
Outflows from short-term borrowings	(1,050,981)	(367,580)
Dividend and interim dividend payments to the shareholders	(11,950,834)	(14,272,782)
Lease liabilities payable	(6,843,972)	(6,995,593)
Outflows from other current liabilities	-	-
<i>Net cash used in financing activities</i>	(48,756,845)	(76,706,233)
Net increase/(decrease) in cash and cash equivalents	(1,310,395)	(2,300,139)
Cash and cash equivalents at the beginning of the period	24,594,033	19,667,558
Cash and cash equivalents at the end of the period	23,283,638	17,367,419

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023
1. CORPORATE INFORMATION

The Parent Company, Mtel a.d. (hereinafter: the "Company"), is domiciled in Banja Luka, the Republic of Srpska, Bosnia and Herzegovina, at the following street address: Vuka Karadzica 2. The full registered name of the Company is: Telekomunikacije Republike Srpske a.d. Banja Luka, and the Company uses two abbreviated names – Mtel a. d. Banja Luka and Telekom Srpske a.d. Banja Luka in its operations.

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 2023, the Company had equity interest in the subsidiaries, according to the following structure (hereinafter collectively referred to as "the Group"):

SUBSIDIARIES	Interest	
<i>Logosoft d.o.o.</i> Sarajevo, Bosnia and Herzegovina	100%	Company
<i>Blicnet d.o.o.</i> Banja Luka, Bosnia and Herzegovina	100%	Company
<i>Financ d.o.o.</i> Banja Luka, Bosnia and Herzegovina	100%	Company

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

The Company has founded a new company *Sky Towers Infrastructure d.o.o.* domiciled in Banja Luka. On 16 May 2023, based on the decision of the District Commercial Court in Banja Luka, the company Sky Towers Infrastructure d.o.o. Banja Luka has been registered in the Court's Business Entities Register. The subsidiary Sky Towers Infrastructure d.o.o. Banja Luka is registered for providing wireless telecommunications activities.

As at 30 June 2023, the Company had had equity interest in associates according to the following structure:

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

As at 30 June 2023, the Group had 2,588 employees (31 December 2022: 2,584 employees).

The Group's principal business activity is the provision of public telecommunication services, out of which the most important is public telephone service in fixed and mobile telecommunication network. In addition, the Group offers other telecommunication services, including Internet access, leased lines, data network access (mobile Internet) and signal transmission services, for the purpose of distributing audio-visual media services (satellite television, IPTV, value-added services). The Group also provides services related to telecommunication infrastructure lease, management, and security.

As at 30 June 2023, the Group provided telecommunication services for a total number of 1,790,164 users (31 December 2022: 1,909,719 users).

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

The CEO of the Company as at 30 June 2023 is Jelena Trivan, Ph.D.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

1. CORPORATE INFORMATION (Continued)

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

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

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

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

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 (IFRSs).

2.2. Basis of Measurement

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

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

2.3. Functional and Presentation Currency

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

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

The following new standards, 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
<i>New standards and amendments to the existing standards effective in the current financial period</i>	
IAS 1 "Presentation of Financial Statements" – Supplements to Classification of Liabilities	1 January 2023
IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies – Supplements	1 January 2023
IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Supplement to the definition of accounting estimates	1 January 2023
IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 "Insurance Contracts" - Supplements	1 January 2023

At the date of approval of these 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
<i>New standards and amendments to the existing standards in issue but not yet effective</i>	
IAS 1 "Presentation of Financial Statements" – Supplements to Classification of Long-term and Short-term Liabilities	1 January 2024
IAS 1 "Presentation of Financial Statements" – Supplements of Short-term Liabilities and Covenants	1 January 2024
IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplements to Supplier Finance Arrangements	1 January 2024
IFRS 16 "Leases" – Supplements of Lease Liability in a Sale and Leaseback Transactions	1 January 2024

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

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 2023 include the financial statements of the Company ("Mtel" a.d. Banja Luka), the financial statements of subsidiaries *Blicnet d.o.o.* Banja Luka, *Financ d.o.o.* Banja Luka, *Sky Towers Infrastructure 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.

The Company reassesses whether it truly exercises control over its subsidiaries in instances of certain facts and circumstances indicating that any of the above listed three elements of control has changed. When the Company has less than a simple majority of the voting power, the control over these subsidiaries 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 originating 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 for informatic 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, as well as services in system integration, education, and consulting services in the field of information technologies.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Basis of Consolidation (Continued)

a) Investments in Subsidiaries (Continued)

.Financ d.o.o. Banja Luka

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

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

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

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

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 group of cash-generating units) that is expected to benefit from the synergies of the combinations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

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 it is not control or joint control over those policies and decisions.

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

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

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

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

As at 30 June 2023, the Company had 49% of equity interest in the associate MTEL d.o.o. Podgorica (Montenegro) while the remaining 51% of the equity interest is in the ownership of the Group's parent company – Telekom Srbija a.d. Belgrade, also 41% of equity interest in *MTEL Global* d.o.o. Belgrade (Republic of Serbia) and the remaining 59% is in the ownership of Group's parent company – Telekom Srbija a.d. Belgrade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

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 specific service. Sales income mainly includes income from voice traffic in the fixed and mobile network, monthly subscription fees charged for providing services (Internet access, fixed and mobile telephony, integrated services), sales of combined services, interconnection, and other similar services.

3.2.1. Income from Fixed Network Services

Revenue from the telephony traffic (fixed network) is calculated per realized traffic.

The monthly subscription to the fixed telephony is invoiced monthly for the previous month. Income from the connection of new subscribers to the fixed network represents income earned on invoiced fees for the connection of new subscribers. The revenues for new customer connections are recorded in the period in which the user is connected.

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

Income from signal transmission for provision of audio-visual media services includes income generated from monthly subscriptions for provision of the satellite television and IPTV services, connection of these services, and other additional services.

3.2.2. Income from Mobile Network

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

Revenue from the telephony traffic is recognized based on the realized traffic. Uninvoiced income, realized from the mobile network services provided in the period from the invoice date to the end of the period is calculated, while unrealized revenues until the end of the accounting period are deferred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.2. Revenues (Continued)****3.2.3. *Income from Integrated Services***

Income from integrated services consists of income from an integrated offering of fixed and mobile telephony services, Internet access via fixed and/or mobile networks, IPTV and satellite TV services, which are organised in appropriate service packages consisting from two to four indicated services.

3.2.4. *Income from Internet Access*

Income from Internet access comprises income from the provision of services related to 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 Internet domain registration, and technical support.

3.2.5. *Income from the Sale of Combined Services*

Income generated from the sale of hardware packages within the usage of the public telecommunication service is recognised under income from the sale of combined services at the time of the sale, i.e. when a hardware package is delivered to the package user and when all related costs are recognized in the Statement of Profit or Loss.

If these services are sold under multiple element arrangements, the total transaction price is allocated to the individual performance obligations. As the result, income from the delivered hardware is recognized on commensurately to the transaction price as an item within income from the sales of combined services. The transaction price is determined based on the defined prices for individual items, if any, or on the estimated price the Group expects to realize under the prevailing market conditions.

3.2.6. *Income and Expenses from International Settlements*

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

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

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

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

3.2.7. *Other Income*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Leases

The Group as a Lessee

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

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

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

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

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

The Group as a Lessor

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

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

3.4. Foreign Currency

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Corporate Income Taxes

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

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

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and for the tax effects of tax losses and tax credits available for carry-forward, to the extent that it is probable that taxable profit will be available against which the tax loss and credit 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 statement rate (%)
<i>Individual calculation of depreciation/amortization charge – straight-line method</i>	
Property and plant	3%
Intangible assets other than software	10%
<i>Group calculation of depreciation/amortization charge – degression method</i>	
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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Intangible Assets (Continued)

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

3.7. Property and Equipment

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

Cost is comprised of the purchase price billed by suppliers, including import duties and non-refundable taxes and any costs directly attributable to bringing the asset to the 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 or 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. Long-term Assets based on Acquisition of Customer Contracts

Long-term assets based on the acquisition of contracts with customers arise from costs executing or obtaining the contract, which are capitalised in accordance with IFRS 15 and recognised over the average term of a customer contract.

3.9. 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 depreciation/amortization rate is changed to reflect the altered dynamics. Such a change is recorded as a change in the accounting estimates in accordance with IAS/IFRS. Any changes of depreciation/amortization rates for asset groups are submitted by the Management of the Group to the Management Board for approval.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
3.9. Depreciation and Amortization (Continued)

The depreciation and amortization rates, applied to certain groups of property, equipment, and intangible assets, for the six-month period ended 30 June 2023, are as follows:

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

3.10. Long-term Assets Held for Sale

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

3.11. Impairment of Non-Financial Assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Impairment of Non-Financial Assets (Continued)

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

As at 30 June 2023, in the Group management's opinion, there were no indications that the value of the Group's intangible assets, property and equipment had suffered impairment.

3.12. Financial Instruments

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

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

Financial Assets

Financial assets are recognized 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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. 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 obvious 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 relevant risks and rewards 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, paid advances, and receivables, are recognized as income in the current accounting period.

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

Financial Liabilities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13. Inventories

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

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

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

3.14. Provisions

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

Provisions consist the 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.

3.15. 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 insurance 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 relevant period.

b) Liabilities for Retirement Benefits (Severance Pays) 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 employee. In addition, the Group is obliged to pay jubilee awards in the amount between a half and one and a half times the average monthly salary paid by the 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 CEO 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.16. 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 41*).

4. SIGNIFICANT ACCOUNTING ESTIMATES

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

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

Estimated Useful Life of Property, Equipment, and Intangible Assets

The estimate of useful life of property, equipment and intangible assets is founded on the historical experience with similar assets, as well as foreseen technical advancement and changes in economic and industrial factors. Depreciation/amortization rates applicable to the assets are reviewed at least annually, at the end of each financial year, and if there are significant changes in the expected dynamics in the consumption of future economic benefits embodied in an asset, the depreciation/amortization rate is changed to reflect the altered dynamics. Such a change is recorded as a change in the accounting estimates in accordance with IAS/IFRS. Management changes depreciation/amortization rates for asset groups. Changes are submitted by the management to 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 operating results. For example, if the Group were to shorten/prolong the average useful life of assets by 10%, this would have resulted in an increased/decreased depreciation and amortization charge of BAM 7,246,626 for the six-month period ended 30 June 2023 (comparative figure in 2022: BAM 7,202,927).

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 20, 21 and 22*).

Provisions

In general, the provisions are, to a significant extent, subject to the assessment. The Group assesses the probability of adverse events as the result of the past events and, if the probability is evaluated to higher than 50%, the Group fully provides for the total amount of the liability. Although the Group is rather prudent in these assessments due to high level of uncertainty, in certain cases the estimates may not prove to be in line with the actual outcomes (*Note 32*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

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 related to the income and expenses generated on all incoming and outgoing international calls realized with the countries with which the Group maintains direct international traffic settlement. A portion of the realized income or incurred expenses is recorded based on an estimate made in accordance with the internal settlements for realized traffic (*Notes 24 and 34*). Management believes that the internal calculations/accounts of international traffic are adequate and that they reflect the actual international traffic realized 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, nor stability and liquidity in buying and selling receivables and other financial assets and liabilities, since official market information is not available at all time. Hence, the fair value cannot be reliably determined in the absence of an active market. If a quoted price in an active market is unavailable as evidence of the instrument's fair value, the fair value for the same asset or liability is assessed by applying valuation techniques that use available market inputs.

5. SALES OF GOODS AND SERVICES

	In BAM For the period ended 30 June	
	2023	2022
Sales in the domestic market:		
Fixed line network services	28,112,246	28,732,472
Mobile line network services	99,460,153	96,382,355
Integrated services	65,875,611	59,236,115
Internet access services	17,078,933	16,899,906
Combined services	14,574,026	16,481,861
Goods	1,274,942	2,335,218
ICT and other services	2,034,364	3,783,922
Total sales in the domestic market	228,410,275	223,851,849
International market sales:		
Income from international settlements	16,144,465	16,421,750
Income from sales of licences, goods, ICT and other services	5,319,775	2,945,907
Total international market sales	21,464,240	19,367,657
Total sales of goods and services	249,874,515	243,219,506

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

6. OTHER OPERATING INCOME

	In BAM For the period ended 30 June	
	2023	2022
Rental income	1,426,637	1,558,365
Reversal of deferred income (grants) (Note 30)	6,183	4,122
Other income	14,729,830	12,125,342
	16,162,650	13,687,829

Other income mostly relates to income from the activation of internal effects based on the costs of employees working on the construction of the network, as well as on capital investment projects in the total amount of BAM 12,802,268.

7. COST OF MATERIAL, GOODS AND COMBINED SERVICES

	In BAM For the period ended 30 June	
	2023	2022
Material for combined services	15,036,927	19,156,960
Cost of commercial goods sold	1,792,644	2,811,147
Electricity	4,430,537	3,768,956
Fuel and lubricants	879,961	953,481
Other costs of material	1,005,828	1,292,807
	23,145,897	27,983,351

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

8. EMPLOYEE COSTS

	In BAM For the period ended 30 June	
	2023	2022
Gross salaries	41,647,497	37,268,199
Remunerations to Management Board and Audit Committee	203,752	194,665
Retirement benefits	441,770	57,884
Other personal expenses	7,003,769	6,015,272
	49,296,788	43,536,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

9. COST OF PRODUCTION SERVICES

	In BAM For the period ended 30 June	
	2023	2022
International settlement costs	13,939,183	13,768,727
Maintenance costs	9,576,932	10,823,371
Rental costs-lease of land and business premises	490,414	447,896
Marketing and advertising costs	8,242,664	8,103,185
Fees for media content transmission	5,987,695	7,295,142
Other production services	11,442,467	11,369,930
	49,679,355	51,808,251

10. OTHER OPERATING EXPENSES

	In BAM For the period ended 30 June	
	2023	2022
Indirect taxes and contributions which do not depend on the business result	2,660,126	2,203,776
Communications Regulatory Agency fees	5,841,162	5,495,860
Losses on disposal of property, equipment and intangible assets	41,437	193,122
Shortages	-	545
Provisions	376,062	-
Other expenses	6,997,276	5,603,717
	15,916,063	13,497,020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

11. FINANCE INCOME AND EXPENSES

		In BAM	
		For the period ended	
		30 June	
		2023	2022
Interest income			
- interest on deposits		9,867	19,080
- other interest income		240,247	305,763
		250,114	324,843
Foreign exchange gains		738,036	467,394
		738,036	467,394
Total finance income		988,150	792,237
Interest expenses			
- arising from loan agreements		(7,179,498)	(2,661,936)
- arising from liabilities for right-of-use assets		(544,909)	(589,944)
- other interest expenses		(342,115)	(42,336)
		(8,066,522)	(3,294,216)
Foreign exchange losses		(944,947)	(720,076)
Total finance expenses		(9,011,469)	(4,014,292)
Finance expenses, net		(8,023,319)	(3,222,055)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

12. INTANGIBLE ASSETS AND GOODWILL

	In BAM 30 June 2023 and 31 December 2022							
	Goodwill	Customer Relations	Intermediary database	Trademark	Licenses for the use of radio frequency spectrum	Other Licenses	Other Intangible Assets	Total Intangible Assets
Cost								
Balance, 1 January 2022	75,337,337	85,117,279	7,662,942	4,091,596	157,188,477	12,812,520	215,100,592	579,891,010
Additions	-	-	-	-	-	436,831	23,231,128	26,395,169
Transfer (from) / to	-	-	-	-	-	786,580	16,271,136	-
Disposals and write-offs	-	-	-	-	-	(1,151,630)	(14,182,288)	(15,333,918)
Transfer to contract costs capitalised	-	-	-	-	-	-	(62,598)	(62,598)
Transfer from / (to) property and equipment	-	-	-	-	-	-	(1,430,349)	(1,430,349)
Other changes	-	-	-	-	-	43,281	55,000	98,281
Balance, 31 December 2022	75,337,337	85,117,279	7,662,942	4,091,596	157,188,477	12,927,582	240,475,568	589,557,595
Balance, 1 January 2023	75,337,337	85,117,279	7,662,942	4,091,596	157,188,477	12,927,582	240,475,568	589,557,595
Additions	-	-	-	-	-	21,217	24,095,451	35,758,875
Transfer (from) / to	-	-	-	-	-	108,490	11,363,048	54,417
Disposals and write-offs	-	-	-	-	-	-	(8,393,358)	(8,393,358)
Transfer to contract costs capitalised	-	-	-	-	-	-	-	-
Transfer from / (to) property and equipment	-	-	-	-	-	-	1,221,559	1,342,001
Other changes	-	-	-	-	-	300,403	-	300,403
Balance, 30 June 2023	75,337,337	85,117,279	7,662,942	4,091,596	157,188,477	13,357,692	268,762,268	618,619,933
Accumulated Amortization								
Balance, 1 January 2022	-	10,855,676	3,665,307	954,706	134,145,382	11,192,876	120,747,799	281,561,746
Amortization expense	-	3,926,575	1,999,262	409,160	1,870,543	586,666	39,349,148	48,141,354
Disposals and write-offs	-	-	-	-	-	(1,151,631)	(14,133,781)	(15,285,412)
Balance, 31 December 2022	-	14,782,251	5,664,569	1,363,866	136,015,925	10,627,911	145,963,166	314,417,688
Balance, 1 January 2023	-	14,782,251	5,664,569	1,363,866	136,015,925	10,627,911	145,963,166	314,417,688
Amortization expense	-	1,963,287	999,631	204,580	935,271	428,313	23,401,839	27,932,921
Disposals and write-offs	-	-	-	-	-	-	(6,115,811)	(6,115,811)
Transfer from / (to) property and equipment	-	-	-	-	-	-	(173,202)	(173,202)
Balance, 30 June 2023	-	16,745,538	6,664,200	1,568,446	136,951,196	11,056,224	163,075,992	336,061,596
Net book value								
30 June 2023	75,337,337	68,371,741	998,742	2,523,150	20,237,281	2,301,468	105,686,276	282,558,337
31 December 2022	75,337,337	70,335,028	1,998,373	2,727,730	21,172,552	2,299,671	94,512,402	275,139,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

12. INTANGIBLE ASSETS AND GOODWILL (Continued)

Goodwill represents surplus assets upon acquisition through a business combination above 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 concluded with various intermediaries, and the trademark are recognised at the estimated cost after the business combinations of subsidiaries acquisition.

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

Other intangible assets mainly relate to software with the net value of BAM 33,783,069 and the right to TV content distribution, with the net value of BAM 70,590,882.

During the reporting period, the Group activated own work capitalised within intangible assets in the total amount of BAM 1,949,254.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023
13. PROPERTY AND EQUIPMENT

	In BAM 30 June 2023 and 31 December 2022					
	Land	Property and infrastructure	Leasehold Improvements	Equipment	Fixed Assets Under Construction	Total Fixed Assets
Cost						
Balance, 1 January 2022	1,778,056	933,951,451	4,021,305	720,672,104	85,119,203	1,745,542,119
Additions	880	9,635,905	127,352	13,126,746	92,066,569	114,957,452
Transfer (from) / to	-	21,661,200	468,433	55,143,460	(77,273,093)	-
Transfer from intangible assets	-	-	-	-	1,430,349	1,430,349
Transfer to contract costs capitalised	-	-	-	-	(161,588)	(161,588)
Disposals and write-offs	-	(199,554)	(109,467)	(37,791,770)	(3,765,917)	(41,866,708)
Dismantlement	-	-	-	(528,039)	(160,019)	(688,058)
Reclassification to assets held for sale	-	(60,916)	-	(677,382)	(87,653)	(825,951)
Other changes	-	215,245	(6,000)	(209,245)	-	-
Balance, 31 December 2022	1,778,936	965,203,331	4,501,623	749,735,874	97,167,851	1,818,387,615
Balance, 1 January 2023	1,778,936	965,203,331	4,501,623	749,735,874	97,167,851	1,818,387,615
Additions	-	5,541,685	94,241	11,506,816	16,785,138	33,927,880
Transfer (from) / to	685	6,358,870	79,348	22,499,321	(28,938,224)	-
Transfer from / (to) intangible assets	-	-	272,467	-	(1,614,468)	(1,342,001)
Transfer to contract costs capitalised	-	-	-	-	(240,261)	(240,261)
Disposals and write-offs	-	-	-	(541,872)	15,259	(526,613)
Dismantlement	-	-	-	(296,481)	(8,381)	(304,862)
Reclassification to assets held for sale	-	-	-	(164,636)	-	(164,636)
Other changes	-	-	-	8,185	1,186,472	1,194,657
Balance, 30 June 2023	1,779,621	977,103,886	4,947,679	782,747,207	84,353,386	1,850,931,779
Accumulated Amortization						
Balance, 1 January 2022	-	563,382,530	3,048,225	510,689,043	-	1,077,119,798
Amortization expense	-	10,720,051	471,215	55,380,752	-	66,572,018
Disposals and write-offs	-	(151,221)	(109,468)	(36,305,978)	-	(36,566,667)
Dismantlement	-	-	-	(688,058)	-	(688,058)
Reclassification to assets held for sale	-	(24,265)	-	(461,988)	-	(486,253)
Other changes	-	215,245	(6,000)	(209,245)	-	-
Balance, 31 December 2022	-	574,142,340	3,403,972	528,404,526	-	1,105,950,838
Balance, 1 January 2023	-	574,142,340	3,403,972	528,404,526	-	1,105,950,838
Amortization expense	-	5,122,451	285,772	27,300,470	-	32,708,693
Disposals and write-offs	-	-	-	(500,069)	-	(500,069)
Dismantlement	-	-	-	(304,862)	-	(304,862)
Reclassification to assets held for sale	-	-	-	(162,200)	-	(162,200)
Transfer from / (to) intangible assets	-	-	173,202	-	-	173,202
Other changes	-	(3,839)	-	2,815	-	(1,024)
Balance, 30 June 2023	-	579,260,952	3,862,946	554,740,680	-	1,137,864,578
Net book value						
30 June 2023	1,779,621	397,842,934	1,084,733	228,006,527	84,353,386	713,067,201
31 December 2022	1,778,936	391,060,991	1,097,651	221,331,348	97,167,851	712,436,777

Fixed assets under construction as at 30 June 2023 are mainly related to the purchased telecommunication equipment, not yet commissioned. As at 30 June 2023, there were no encumbrances on and restrictions to the Group's titles and ownership rights over property and equipment. Contractually agreed, yet not realized Group liabilities on the basis of capital expenditures as at 30 June 2023, were BAM 51,017,657 (31 December 2021: BAM 58,064,882).

During the reporting period, the Group activated own work capitalised within property and equipment in the total amount of BAM 10,853,013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

14. RIGHT-OF-USE ASSETS

	In BAM		
	30 June 2023 and FY 2022		
	Land and buildings	Vehicles and equipment	Total
Balance, 1 January 2022	49,073,728	260,449	49,334,177
Additions	7,230,722	515,726	7,746,448
Depreciation/amortization	(14,072,886)	(260,440)	(14,333,326)
Modification of the lease period	(1,636,880)	(821)	(1,637,701)
Transfer from/to	(102,042)	102,042	-
Balance, 31 December 2022	40,492,642	616,956	41,109,598
Balance, 1 January 2023	40,492,642	616,956	41,109,598
Additions	6,163,451	113,519	6,276,970
Depreciation/amortization	(6,803,625)	(203,516)	(7,007,141)
Modification of the lease period	4,486,475	(15,398)	4,471,077
Transfer from/to	(633,617)	633,617	-
Balance, 30 June 2023	43,705,326	1,145,178	44,850,504

As part of its regular business activities, the Group leases various lease items, the most important being commercial premises for sales points, land and facilities accommodating telecommunication equipment. In assessing lease liabilities, the Group also considered the potential exposure to variable lease payments, extension options, termination leases, residual value guarantees and leases that have not commenced yet, 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.

15. INVESTMENTS IN ASSOCIATES

	In BAM	
	30 June 2023	31 December 2022
a) Investments in MTEL d.o.o. Podgorica (Montenegro):		
Interest		
49%		
- Cost of the investment in MTEL d.o.o. Podgorica	143,565,421	143,565,421
- Adjustment of the cost of investment based on recognition of portion of profit/(loss) using the equity method	57,558,923	44,800,037
<i>Investment in MTEL d.o.o. Podgorica, net</i>	<i>201,124,344</i>	<i>188,365,458</i>
b) Investments in MTEL Global d.o.o. Belgrade (Serbia):		
Interest		
41%		
- Cost of the investment in MTEL Global d.o.o. Belgrade	40,045,288	40,045,288
- Adjustment of the cost of investment based on recognition of portion of profit/(loss) using the equity method	(24,745,223)	(21,913,452)
<i>Investment in MTEL Global d.o.o. Belgrade, net</i>	<i>15,300,065</i>	<i>18,131,836</i>
Total investments in associates	216,424,409	206,497,294

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

As at 30 June 2023, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

15. INVESTMENTS IN ASSOCIATES (Continued)

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

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

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 2023 amounted to BAM 12,758,885, whereas the Group's share in the loss of MTEL Global d.o.o. Belgrade amounted to BAM 2,829,688.

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 2023	Year ended 31 December 2022
<i>Balance, 1 January</i>	206,497,294	201,518,849
Investment in MTEL Global d.o.o. Belgrade	-	4,107,243
A share in (loss)/profit of the associates that is accounted for using the equity method (Note 3.1.d)	9,927,115	871,202
<i>Balance, end of period/year</i>	216,424,409	206,497,294

16. LONG-TERM RECEIVABLES AND LOANS

	In BAM	
	30 June 2023	31 December 2022
Long-term loans to employees	66,771	66,771
<i>Less: Current portion of long-term loans due within one year (Note 23)</i>	(66,771)	(66,771)
	-	-
Other long-term loans	180,171	197,330
<i>Less: Current portion of long-term loans due within one year (Note 22)</i>	(34,318)	(34,318)
	145,853	163,012
Other long-term deposits	1,176,024	176,024
Other long-term investments	2,545	4,329
	1,178,569	180,353
Total long-term receivables and loans	1,324,422	343,365
<i>Less: Accumulated impairment allowance:</i>		
- impairment allowance of other long-term loans	(9,851)	(11,791)
- impairment allowance of long-term investments	(12,521)	(14,937)
	(22,372)	(26,728)
	1,302,050	316,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

17. OTHER INVESTMENTS

	Interest	In BAM	
		30 June 2023	31 December 2022
- Long-term bonds issued by the Republic of Srpska		1,647	1,647
- Centre for International Law and International Business Cooperation Ltd. Banja Luka	22.97%	400	400
		2,047	2,047

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

18. LONG-TERM ASSETS BASED ON CONTRACT COSTS CAPITALISED

	In BAM	
	30 June 2023	31 December 2022
<i>Cost</i>		
Balance, 1 January	18,787,553	13,320,414
Contracts acquired in the business year	4,755,187	9,838,839
Derecognition based on contract expiration/termination	(4,114,748)	(4,371,699)
Balance, end of period/year	19,427,992	18,787,554
<i>Accumulated amortization/depreciation</i>		
Balance, 1 January	8,890,891	5,115,902
Amortization/depreciation charge	4,817,500	8,145,622
Derecognition based on contract expiration/termination	(4,114,670)	(4,370,632)
Balance, end of period/year	9,593,721	8,890,892
Net book value	9,834,271	9,896,662

19. INVENTORIES

	In BAM	
	30 June 2023	31 December 2022
Material	4,307,435	4,069,404
Goods	248,096	179,099
Material for combined services	6,665,168	7,269,953
Advances paid for inventories	1,313,801	1,322,533
	12,534,500	12,840,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

20. TRADE RECEIVABLES

	In BAM	
	30 June 2023	31 December 2022
<i>Trade receivables:</i>		
- related parties (<i>Note 37 (a)</i>)	25,178,888	23,066,587
- domestic	143,535,284	137,016,516
- foreign	1,147,949	1,212,664
Gross trade receivables	169,862,121	161,295,767
<i>Less: Impairment allowance of trade receivables for expected credit losses</i>	(69,726,657)	(68,298,181)
	100,135,464	92,997,586

The total gross trade receivables as at 30 June 2023 amounted to BAM 169,862,121. The Group used a simplified approach in recognition of the lifetime expected losses for trade receivables and other receivables not containing a significant financing component, by grouping those per different customer characteristics and historical loss trends.

The total amount of impairment allowance of trade receivables as at 30 June 2023 amounts to BAM 69,726,657, and represents 41.05% of the total gross value of trade receivables. The movements in the allowance for impairment of receivables are shown in *Note 22* to the consolidated financial statements.

21. OTHER RECEIVABLES

	In BAM	
	30 June 2023	31 December 2022
Other receivables	3,563,276	2,047,366
	3,563,276	2,047,366
<i>Less: Impairment allowance of other receivables</i>	(622,663)	(549,518)
	2,940,613	1,497,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

22. IMPAIRMENT OF FINANCIAL ASSETS

	In BAM		
	From 1 January to 30 June 2023 and FY 2022		
	Trade receivables (Note 20)	Other receivables (Note 21)	Total
<i>Balance, 1 January 2022</i>	67,792,036	570,294	68,362,330
Adjustments during the year debited to income	2,712,308	3,389	2,715,697
Write-off of receivables	(2,123,172)	-	(2,123,172)
Other	(82,991)	(24,165)	(107,156)
<i>Balance, 31 December 2022</i>	68,298,181	549,518	68,847,699
<i>Balance, 1 January 2023</i>	68,298,181	549,518	68,847,699
Adjustments during the year debited to income	1,431,796	73,857	1,505,653
Adjustments during the year credited to income	(1,826)	-	(1,826)
Write-off of receivables	(1,501)	-	(1,501)
Other	7	(712)	(705)
<i>Balance, 30 June 2023</i>	69,726,657	622,663	70,349,320

23. DEPOSITS AND LOAN RECEIVABLES

	In BAM	
	30 June 2023	31 December 2022
Short-term deposits	85,288	85,284
Loans to employees due within one year (Note 16)	66,771	66,771
Other loans due within one year (Note 16)	34,318	34,318
	186,377	186,373

24. PREPAYMENTS

	In BAM	
	30 June 2023	31 December 2022
Accrued receivables	5,713,432	5,534,784
Contractual assets	4,321,362	7,142,610
Prepaid expenses	5,647,319	3,240,602
Deferred input and output advance invoices for the purpose of VAT calculation	2,992,487	3,396,953
	18,674,600	19,314,949

Majority of the accrued receivables, namely the amount of BAM 4,677,410, relates to the estimates of international traffic and roaming, which was performed in accordance with the internal settlements of the realized traffic, i.e., the settlement obtained from the clearing house.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023
25. CASH AND CASH EQUIVALENTS

	In BAM	
	30 June 2023	31 December 2022
Gyro accounts	21,281,588	22,294,805
Foreign currency accounts	1,851,882	2,158,979
Cash on hand	50,168	40,249
Cash equivalents	100,000	100,000
	23,283,638	24,594,033

26. EQUITY
Share Capital

The Company's share capital structure (as per the Book of Shareholders maintained by the Republic of Srpska Central Registry of Securities, Banja Luka) as at 30 June 2023 and 31 December 2022 was as follows:

	30 June 2023		31 December 2022	
	Number of shares	% of interest	Number of shares	% of interest
Telekom Srbija a.d. Belgrade, Serbia	319,428,193	65.01	319,428,193	65.01
RS Pension and Disability Insurance Fund a.d., Banja Luka	41,814,616	8.51	42,300,523	8.61
RS Restitution Fund a.d. Banja Luka	24,715,439	5.03	24,715,439	5.03
DUIF Kristal invest a.d. – OAIF Future Fund	9,361,604	1.91	9,483,360	1.93
Other shareholders	96,063,903	19.55	95,456,240	19.43
	491,383,755	100	491,383,755	100

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

The Company's shares are listed on Banja Luka Stock Exchange in Republic of Srpska (active but insufficiently developed financial market). The market value of one share, as at 30 June 2023, amounts to BAM 1.39 (31 December 2022: BAM 1.62). Earnings and dividend per share are disclosed in *Note 38* to the consolidated financial statements.

Legal Reserves

Legal reserves as at 30 June 2023 amounting to BAM 49,594,492 represent allocations from profit made pursuant to Article 231 of the Company Law in the amount of no less than 5% of the net profit for the year less prior year losses until such reserves, until together with equity reserves, reach the level equivalent to 10% of the Company's total share capital or greater portion of the share capital defined by Company Statute.

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

Other Reserves - Reserves Arising on the Investment Commitment

Other reserves as at 30 June 2023, in the amount of BAM 97,791,500 relate entirely to the reserves formed during 2008 based on the execution of the investment commitment, undertaken by the majority owner (Telekom Srbija a.d. Belgrade), as the purchaser of the majority block of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

27. BORROWINGS AND OTHER LONG-TERM LIABILITIES

	In BAM	
	30 June 2023	31 December 2022
a) Long-term borrowings:		
- cash borrowings	176,171,472	186,564,360
- borrowings for purchases of equipment	68,480,313	69,971,950
	244,651,785	256,536,310
b) Other long-term liabilities	2,569,396	6,349,895
Total long-term liabilities	247,221,181	262,886,205
<i>Less: Current portion of long-term liabilities:</i>		
- cash borrowings	(41,283,371)	(31,034,922)
- borrowings for the purchases of equipment	(32,423,676)	(30,490,274)
- other long-term liabilities	(884,217)	(4,391,679)
Total current portion of long-term liabilities	(74,591,264)	(65,916,875)
	172,629,917	196,969,330

The average interest rate accrued on long-term borrowings for purchase of equipment equals six-month EURIBOR increased by the margin ranging from 0.5% to 1% annually (2022: 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 mostly related to the liabilities for the licence for the use of radio frequency spectrum for the provision of services via mobile access systems issued by the Communication Regulatory Agency of Bosnia and Herzegovina.

The contractual currency for all loans, except for loans granted by the Government of the Kingdom of Spain, banks, and national 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 breach of the obligations that could give rise to any creditor demanding early loan repayment.

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

	In BAM	
	30 June 2023	31 December 2022
Current portions	74,591,264	65,916,875
From 1 to 2 years	64,777,216	66,060,299
From 2 to 3 years	53,215,175	53,979,324
From 3 to 4 years	42,293,855	43,748,532
From 4 to 5 years	10,984,760	31,689,618
After 5 years	1,358,911	1,491,557
Total non-current portion of borrowings	172,629,917	196,969,330
	247,221,181	262,886,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

28. LIABILITIES FOR TV CONTENT DISTRIBUTION RIGHTS

	In BAM	
	30 June 2023	31 December 2022
Liabilities for TV content distribution rights	72,601,549	62,978,850
<i>Less: Current portion of long-term liabilities for TV content distribution rights</i>	(35,318,319)	(28,623,700)
	37,283,230	34,355,150

	In BAM	
	30 June 2023	31 December 2022
Current portions	35,318,319	28,623,700
From 1 to 2 years	27,658,943	18,068,587
From 2 to 3 years	9,491,587	12,803,036
From 3 to 4 years	132,700	3,483,527
From 4 to 5 years	-	-
After 5 years	-	-
Total non-current portion of liabilities	37,283,230	34,355,150
	72,601,549	62,978,850

29. LEASE LIABILITIES

	In BAM		
	30 June 2023 and FY 2022		
	Land and buildings	Vehicles and equipment	Total
Balance, 1 January 2022	50,772,303	313,810	51,086,113
New additions	7,230,722	515,726	7,746,448
Interest expense for right-of-use assets (Note 11)	1,111,914	15,315	1,127,229
Modification of the lease period	(1,589,324)	1,823	(1,587,501)
Liability closing	(15,092,208)	(274,086)	(15,366,294)
Transfer from/to	(60,619)	60,619	-
Balance, 31 December 2022	42,372,788	633,207	43,005,995
Balance, 1 January 2023	42,372,788	633,207	43,005,995
New additions	6,163,451	113,519	6,276,970
Interest expense for right-of-use assets (Note 11)	521,876	23,033	544,909
Modification of the lease period	4,446,740	(9,957)	4,436,783
Liability closing	(7,110,509)	(232,022)	(7,342,531)
Transfer from/to	(748,216)	748,216	-
Balance, 30 June 2023	45,646,130	1,275,996	46,922,126
<i>Less: Current portion of long-term leases due within one year</i>	(12,948,295)	266,668	(12,681,627)
Balance, 30 June 2023	32,697,835	1,542,664	34,240,499

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

30. DEFERRED INCOME

	In BAM	
	30 June 2023	31 December 2022
Grants received	18,551	24,734
Less: Current portion of deferred income	(12,367)	(12,367)
	6,184	12,367

Movements on deferred income for the six-month period ended 30 June 2023 and in FY 2022 were as follows:

	In BAM	
	For the period ended 30 June 2023	For the year ended 31 December 2022
Balance, 1 January	24,734	37,101
Decrease credited to other income	(6,183)	(12,367)
Balance, end of period/year	18,551	24,734

31. EMPLOYEE BENEFITS

	In BAM	
	30 June 2023	31 December 2022
Employee benefits		
- non-current portion	5,986,435	6,333,127
- current portion	815,635	815,635
	6,802,070	7,148,762

Long-term provisions for employee benefits as at 30 June 2023 in the amount of BAM 6,802,070 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".

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

Accordingly, the Group has hired a certified actuary to perform the calculation of the present value of accumulated rights to retirement benefits and jubilee awards as at 31 December 2022 on behalf of the Group. When calculating the present value of these accumulated rights to retirement benefits and jubilee awards, the authorized actuary used the following assumptions: a discount rate of 4.78% per annum, a projected salary growth rate of 2.5% annually, projected years of service for retirement - 40 years for men and 35 years for women, the projected staff turnover on the basis of historical data on the movement of employees in the past, officially published mortality rates and other conditions necessary for exercising the right to retirement benefits and jubilee awards. As at 31 December 2022, demographic assumptions have changed. The effects of changing these assumptions are recognized as an actuarial gain within other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

31. EMPLOYEE BENEFITS (Continued)

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

Years of service with the Company	Number of salaries
10	0.5
20	1
30	1.5
40	0.5

Given the fact that there were no significant fluctuations in the number of employees or changes to other actuarial assumptions, in the six-month period ended 30 June 2023, the Company updated the above-mentioned actuarial calculation of the present value of the accumulated employee entitlements to retirement benefits and jubilee awards.

Movements on long-term liabilities for employee benefits for the six-month period ended 30 June 2023 and in FY 2022 were as follows:

	In BAM 30 June 2023 and FY 2022
<i>Balance, 1 January 2022</i>	7,152,533
Charge for the period/year	746,044
Actuarial gains/(losses)	(98,849)
Payments during the period/year	(648,846)
Other	(2,120)
	7,148,762
<i>Less: Current portion of long-term benefits due within one year</i>	(815,635)
<i>Balance, 31 December 2022</i>	6,333,127
<i>Balance, 1 January 2023</i>	7,148,762
Payments during the period/year	(346,693)
	6,802,069
<i>Less: Current portion of long-term benefits due within one year</i>	(815,634)
<i>Balance, 30 June 2023</i>	5,986,435

32. PROVISIONS

	In BAM For the period ended 30 June 2023	For the year ended 31 December 2022
<i>Balance, 1 January</i>	5,869,929	5,632,228
Provisions for litigations	376,062	205,834
Gains from release of provisions for litigations	-	(48,070)
Reversal of provisions for litigations	(348,643)	142,805
Other provisions	-	(62,868)
<i>Balance, end of period/year</i>	5,897,348	5,869,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

33. TRADE PAYABLES

	In BAM	
	30 June 2023	31 December 2022
<i>Trade payables:</i>		
- related parties (Note 37(a))	32,668,575	31,720,363
- domestic	83,466,819	80,229,824
- foreign	27,229,765	21,425,434
- for uninvoiced investments and services	1,731,995	22,802,472
	145,097,154	156,178,093

Trade payables are non-interest bearing. The average days payable outstanding for the six-month period ended 30 June 2023 counted 208 days (year ended 31 December 2022: 195 days).

The ageing structure of trade payables as at 30 June 2023 and 31 December 2022 was as follows:

	In BAM	
	30 June 2023	31 December 2022
From 0 to 30 days	89,898,645	99,377,685
From 31 to 60 days	10,606,587	6,165,805
From 61 to 120 days	7,981,570	13,622,476
From 121 to 180 days	7,093,112	7,977,124
From 181 to 270 days	6,829,732	13,012,590
From 271 to 360 days	22,687,508	16,022,413
	145,097,154	156,178,093

34. ACCRUALS

	In BAM	
	30 June 2023	31 December 2022
Deferred income – sales of prepaid top-ups	4,078,773	4,424,407
Accrued liabilities – international traffic	6,908,249	7,758,321
Accrued liabilities – media content distribution/broadcasting	8,029,742	7,064,905
Accrued liabilities per other expenses of the period	14,805,541	15,034,499
Accrued VAT liabilities on advance invoices	2,703,753	3,069,662
Other accruals	1,089,252	313,193
	37,615,310	37,664,987

Accrued liabilities for international traffic totalling BAM 6,908,249 as at 30 June 2023 mostly relate to the estimates of roaming discounts that the Group realized with related parties.

Accrued liabilities per other expenses that amount to BAM 14,805,541 as at 30 June 2023 represent current year's expenses for which there were sufficient information on their existence and origin yet the Group had not received the final invoices for services or goods received until these consolidated financial statements' preparation date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

35. OTHER LIABILITIES

	In BAM	
	30 June 2023	31 December 2022
Advances and prepayments received from customers	1,360,692	1,557,605
Taxes and customs duties charged to expenses	299,528	307,127
Value added tax payable	4,092,764	2,945,027
Liabilities to employees	7,821,220	7,977,765
Liabilities for acquiring equity interest	5,372,626	5,372,626
Other liabilities	2,549,107	1,994,316
	21,495,937	20,154,466

36. INCOME TAXES

(a) Components of Income Taxes

	In BAM For the period ended 30 June	
	2023	2022
Current tax expense of the period	3,134,130	3,674,830
Deferred tax income - increase/decrease in deferred tax assets	(20,434)	169,381
Deferred tax income - increase in deferred tax liabilities	1,582,624	713,699
	4,696,320	4,557,910

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

	In BAM For the period ended 30 June	
	2023	2022
<i>Profit before tax</i>	55,933,032	49,149,099
Income taxes	4,876,037	4,700,702
<i>Adjustments expenses/income for:</i>		
- non-taxable income effects	(2,014,431)	(1,343,395)
- non-taxable income effects based on disposal of assets and liabilities (Note 6)	-	-
- non-deductible costs effects	272,524	317,522
- temporary differences effects	1,562,190	883,080
<i>Income tax expense</i>	4,696,320	4,557,910
<i>Effective tax rate for the period</i>	8.40%	9.27%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

36. INCOME TAXES (Continued)

(c) Deferred Tax Assets

	In BAM	
	Period ended 30 June 2023	Year ended 31 December 2022
<i>Balance, 1 January</i>	882,406	1,044,982
(Decrease)/Increase of deferred tax assets	20,434	(134,094)
Deferred tax assets from a previous period recognised in the current period	-	(28,482)
<i>Balance, end of the period/year</i>	902,840	882,406

(d) Deferred Tax Liabilities

	In BAM	
	30 June 2023	31 December 2022
<i>Balance, 1 January</i>	(14,925,587)	(11,885,182)
Increase in deferred tax liabilities during the year	(1,918,904)	(3,732,363)
Decrease in deferred tax liabilities based on a business combination	336,280	691,958
<i>Balance, end of the period/year</i>	(16,508,211)	(14,925,587)

(e) Current Tax Receivables

	In BAM	
	30 June 2023	31 December 2022
Receivables for overpaid income tax	733,970	1,120,944
<i>Balance, end of the period/year</i>	733,970	1,120,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

37. 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

30 June 2023

	Parent Company	Associates	Other related parties	In BAM TOTAL
TV content distribution rights	1,939,552	-	26,719,353	28,658,905
Property and equipment	-	-	-	-
Total non-current assets	1,939,552	-	26,719,353	28,658,905
Trade receivables	14,125,387	7,028,078	4,025,423	25,178,888
Interest receivables	-	89,359	-	89,359
Calculated, uninvoyced income from international settlements	3,703,366	419,125	803	4,123,294
Total receivables	17,828,753	7,536,562	4,026,226	29,391,541
Total	19,768,305	7,536,562	30,745,579	58,050,446
Trade payables	(26,750,581)	(622,338)	(5,295,655)	(32,668,574)
Interest payables	(3,782)	-	-	(3,782)
Dividend payables	(88,866,440)	-	-	(88,866,440)
Calculated (estimated) expenses	(7,399,304)	(1,735,058)	(648,569)	(9,782,931)
Long-term loans	(285,932)	-	-	(285,932)
Short-term loans	(163,483)	-	-	(163,483)
Payables for TV content distribution rights	(23,198,220)	-	(21,458,912)	(44,657,132)
Total payables	(146,667,742)	(2,357,396)	(27,403,136)	(176,428,274)
Net receivables / (payables)	(126,899,437)	5,179,166	3,342,443	(118,377,828)

31 December 2022

	Parent Company	Associates	Other related parties	In BAM TOTAL
TV content distribution rights	3,383,667	-	3,495,428	6,879,095
Property and equipment	-	-	-	-
Total non-current assets	3,383,667	-	3,495,428	6,879,095
Trade receivables	13,318,725	6,431,792	3,316,070	23,066,587
Interest receivables	-	89,359	-	89,359
Calculated, uninvoyced income from international settlements	3,489,856	505,982	86	3,995,924
Total receivables	16,808,581	7,027,133	3,316,156	27,151,870
Total	20,192,248	7,027,133	6,811,584	34,030,965
Trade payables	(27,892,019)	(646,335)	(3,182,009)	(31,720,363)
Interest payables	(2,044)	-	-	(2,044)
Dividend payables	(88,866,440)	-	-	(88,866,440)
Calculated (estimated) expenses	(7,803,394)	(1,752,502)	(335,057)	(9,890,953)
Long-term loans	(164,137)	-	-	(164,137)
Short-term loans	(82,068)	-	-	(82,068)
Payables for TV content distribution rights	(28,104,991)	-	(170,744)	(28,275,735)
Total payables	(152,915,093)	(2,398,837)	(3,687,810)	(159,001,740)
Net receivables / (payables)	(132,722,845)	4,628,296	3,123,774	(124,970,775)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

37. RELATED PARTY TRANSACTIONS (Continued)

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

Period ended 30 June 2023

				In BAM
	Parent Company	Associates	Other related parties	TOTAL
Income from the sale of goods and services	13,742,214	1,536,333	912,256	16,190,803
Other operating income	-	-	-	-
Total income	13,742,214	1,536,333	912,256	16,190,803
Costs from related party transactions	(11,155,643)	(945,539)	(467,017)	(12,568,199)
Total expenses	(11,155,643)	(945,539)	(467,017)	(12,568,199)
Net income/(expenses)	2,586,571	590,794	445,239	3,622,604

Period ended 30 June 2022

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

c) Short-term remunerations to key management personnel:

	In BAM	
	Period ended 30 June 2023	30 June 2022
- Executive Board and management of related parties	(1,079,469)	(1,067,934)
- Management Board	(161,303)	(151,764)
- Audit Committee	(55,242)	(48,817)
- Supervisory Board	(22,689)	(43,269)
	(1,318,703)	(1,311,784)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

38. EARNINGS AND DIVIDEND PER SHARE

	In BAM Period ended 30 June	
	2023	2022
Net profit for the period	51,236,712	44,591,190
Weighted average number of shares outstanding	491,383,755	491,383,755
Earnings per share (basic and diluted)	0.1043	0.0907

Liabilities for the remaining unpaid dividends to the shareholders as at 30 June 2023 amount to BAM 97,044,196 (31 December 2022: BAM 109,012,126).

39. CONTINGENT LIABILITIES

Litigations

The Group appears occasionally as a defendant in legal suits filed against it by private individuals and legal entities. The estimated contingent liabilities arising from lawsuits filed against the Group as at 30 June 2023 totalled BAM 55,721,198, which does not include the effects of penalty (default) interest and court expenses.

The most significant court proceeding is the one with *Crumb group* d.o.o. Bijeljina as a plaintiff, which has amounted 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 Company is very remote, given that that the valid legal grounds for the above-mentioned lawsuit do not exist.

The above-mentioned belief that the claim against the Company is unfounded relies on the fact that, in this case, the competent authorities have already established within the legally prescribed proceedings, the non-existence of any unlawfulness on the part of the Company. Management further expects that the ruling in this dispute will not significantly or materially hinder the financial operations of the Company. Based on the above facts, the Company has not recorded a provision for the said legal suit nor does it consider any further disclosures in respect thereof necessary.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

40. FINANCIAL INSTRUMENTS

40.1. Capital Risk Management

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

Management of the Group reviews the capital structure on need 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.

40.1.1. Debt-to-Equity Ratio

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

	In BAM	
	30 June 2023	31 December 2022
Debt (a)	247,221,181	262,886,205
Cash and cash equivalents	(23,293,638)	(24,604,033)
Net debt	223,927,543	238,282,172
Equity (b)	730,238,889	679,002,177
Debt-to-equity ratio	30.66%	35.09%

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

(b) Equity includes share capital, reserves and retained earnings.

40.1.2. Significant Accounting Policies Regarding Financial Instruments

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

40.2. Categories of Financial Instruments

Categories of financial instruments as at 30 June 2023 and 31 December 2022 are presented in the table below:

	In BAM	
	30 June 2023	31 December 2022
Financial assets measured at amortized cost	127,850,189	119,594,524
Financial liabilities at amortized cost	614,826,487	640,054,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Objectives of Financial Risk Management

In its regular course of business, the Group is, to various extents, exposed to certain financial risks such as: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk. The risk management in the 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 2023, 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 part of its transactions in foreign currencies, the Group's management believes 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 (EUR 1 = BAM 1.95583).

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

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

	Assets		Liabilities	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
EUR	24,089,279	22,445,768	234,380,182	236,264,014
USD	3,835,015	4,053,879	11,377,784	13,591,455
CHF	3,894	2,994	-	-
GBP	2,364	313	-	275
HRK	363,808	-	-	-
RSD	3,634	215,074	-	-
SEK	188	200	-	-
DKK	548	549	-	-
	28,298,730	26,718,777	245,757,966	249,855,744

Sensitivity Analysis

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

If the foreign exchange rate were 10% higher/lower on an annual basis, the Group's net profit for the six-month period ended 30 June 2023 would have decreased / increased by the amount of BAM 20,691 (comparative figure in 2022: BAM 25,268).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Objectives of Financial Risk Management (Continued)

(1) Market Risk (Continued)

(b) Interest Rate Risk

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

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

During the six-month period ended 30 June 2023, the largest portion of the liabilities arising from borrowings had a variable interest rate which was linked to EURIBOR. Borrowings with variable interest rates were mostly denominated in foreign currency (EUR).

The 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 interest rates changes is determined based on interest rate exposures of non-derivative instruments at the end of the reporting period. In regard with floating 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 2023 would have decreased / increased by the amount of BAM 717,950 (FY 2022: BAM 266,194) because of higher/lower interest expenses.

(c) Equity Price Risk

During the the six-month reporting period ended 30 June 2023, the Group was exposed to the risk of the equity securities price changes. The mentioned investments are held for strategic purposes rather than everyday trading, and they are not actively traded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Objectives of Financial Risk Management (Continued)

(2) Liquidity Risk

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

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

The Group does not use financial derivatives.

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

Maturities of the Group's financial assets and liabilities as at 30 June 2023 and 31 December 2022 were as follows:

Financial assets

30 June 2023

Non-interest bearing

- Loans and receivables (including cash and cash equivalents)

Fixed interest rate

- Fair value at amortised cost

Total

	Up to 3 months	3-12 months	1-2 years	2-5 years	Over 5 years	In BAM Total
- Loans and receivables (including cash and cash equivalents)	126,145,418	-	-	-	-	126,145,418
- Fair value at amortised cost	277,623	712,901	234,943	103,355	187,149	1,515,971
Total	126,423,041	712,901	234,943	103,355	187,149	127,661,389

31 December 2022

Non-interest bearing

- Loans and receivables (including cash and cash equivalents)

Fixed interest rate

- Fair value at amortised cost

Total

- Loans and receivables (including cash and cash equivalents)	118,845,628	-	-	-	-	118,845,628
- Fair value at amortised cost	43,612	144,408	34,318	103,355	206,092	531,785
Total	118,889,240	144,408	34,318	103,355	206,092	119,377,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023
40. FINANCIAL INSTRUMENTS (Continued)
40.3. Objectives of Financial Risk Management (Continued)
(2) Liquidity Risk (Continued)

Financial liabilities	In BAM					
30 June 2023	Up to 3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Total
<i>Other liabilities at amortized cost</i>						
- Non-interest bearing	218,060,437	65,857,968	27,658,944	9,624,286	-	321,201,635
- Instruments at variable interest rate	22,618,002	64,851,559	73,572,473	114,190,947	1,367,682	276,600,663
- Instruments at fixed interest rate	3,830,397	10,538,500	10,798,816	19,568,815	8,110,058	52,846,586
Total	244,508,836	141,248,027	112,030,233	143,384,048	9,477,740	650,648,884
31 December 2022						
<i>Other liabilities at amortized cost</i>						
- Non-interest bearing	235,004,534	65,084,575	18,068,588	16,286,562	-	334,444,259
- Instruments at variable interest rate	11,340,624	61,316,509	73,566,734	137,611,161	1,503,794	285,338,822
- Instruments at fixed interest rate	3,961,653	14,301,932	10,519,866	16,407,899	7,222,628	52,413,978
Total	250,306,811	140,703,016	102,155,188	170,305,622	8,726,422	672,197,059

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

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

(3) Credit Risk

Credit risk is the risk that counterparty defaults 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 the 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 number of unrelated customers with individually small amounts of debt. Along with 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 wage garnishment, i.e., by wage decrease in the amount of the instalment, whereas the employees leaving the Group sign the agreements to regulate the outstanding loan repayment upon leaving the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Objectives of Financial Risk Management (Continued)

(3) Credit Risk (Continued)

For credit risk minimization purposes, the Group has developed and maintained credit risk assessment to categorize its exposures according to the default risk. Information on the credit rating is obtained from the independent credit rating agencies. In case such information is not available, the Group uses other publicly available financial information and its own data on the trading activity 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) 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 tables present 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 2023	Note	External classification	Internal classification	12-month ECL or lifetime ECL?	Gross exposure	Impairment allowance	Net amount
Long-term receivables and receivables	16,23	N/A	Performing and non-performing	Lifetime	1,510,799	22,372	1,488,427
Trade receivables	20	N/A	Performing and non-performing	Lifetime	169,862,121	69,726,657	100,135,464
Other receivables	21	N/A	Performing and non-performing		3,563,276	622,663	2,940,613
Cash and cash equivalents	25	N/A	Performing		23,283,638	-	23,283,638
Financial assets subsequently measured at amortized cost	17	N/A	Performing		2,047	-	2,047
					198,221,881	70,371,692	127,850,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

40.3. Objectives of Financial Risk Management (Continued)

(4) Fair Value

Fair Value of Financial Assets Not Measured at Fair Value

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

	30 June 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets:</i>				
Financial assets measured at amortized cost	1,647	1,647	1,647	1,413
Total	1,647	1,647	1,647	1,413

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

- For short-term investments, loans, and liabilities, the carrying value approximates their fair value due to their short maturity.
- For long-term investments and liabilities, fair value is calculated using the method of discounting future cash flows at a current market interest rate, which is available to the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

41. SEGMENT REPORTING

41.1. Segment information

As at 30 June 2023, the Group's reporting segments in accordance with IFRS 8 were as follows:

1. Fixed network, and
2. Mobile network.

41.2. Segment Revenues and Results

The segment revenues and results for the six-month reporting period ended 30 June 2023 are presented in the following table:

30 June 2023	In BAM		
	Fixed-line Network	Mobile Network	Total
Sales of goods and services	119,744,109	130,130,406	249,874,515
Other operating income	12,358,913	3,803,737	16,162,650
Intersegment settlement	41,801,842	16,600,411	58,402,253
Cost of material, goods and combined services	(5,301,607)	(17,844,290)	(23,145,897)
Staff costs	(25,552,578)	(23,744,210)	(49,296,788)
Depreciation and amortization charge	(49,755,646)	(22,710,609)	(72,466,255)
Cost of production services	(27,646,999)	(22,032,356)	(49,679,355)
Other operating expenses	(6,283,445)	(9,632,618)	(15,916,063)
Finance income – interest-bearing	121,364	128,750	250,114
Finance income - other	563,354	174,682	738,036
Impairment of financial assets	(756,799)	(748,854)	(1,505,653)
Financial expenses	(4,573,419)	(4,438,050)	(9,011,469)
Intersegment settlement	(16,600,411)	(41,801,842)	(58,402,253)
Share in the profit of associates	4,759,064	5,170,133	9,929,197
Profit before taxes	42,877,742	13,055,290	55,933,032
Income tax expense	(3,600,155)	(1,096,165)	(4,696,320)
Net profit	39,277,587	11,959,125	51,236,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023
41. SEGMENT REPORTING (Continued)
41.2. Segment Revenues and Results (Continued)

The segment revenues and results for the six-month reporting period ended 30 June 2023 are presented in the following table:

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

Segment revenues and results reported above (for the six-month reporting period ended 30 June 2023 and 30 June 2022) represent revenue generated from external customers. Inter-segment sales during the period have been eliminated.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023

41. SEGMENT REPORTING (Continued)

41.3. Segment Capital Expenditures

Capital expenditures of the segments during the the six-month reporting period ended 30 June 2023 and 30 June 2022 were as follows:

	In BAM		
	Fixed Network	Mobile Network	Total
30 June 2023			
Capital expenditures (<i>Notes 12 and 13</i>)	60,972,020	8,714,735	69,686,755
30 June 2022			
Capital expenditures (<i>Notes 12 and 13</i>)	31,655,137	17,506,418	49,161,555

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

42. TAX RISKS

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

Hence, regarding the tax issues, there is limited number of exemplary cases. There are often different opinions on legal interpretation among government ministries and organizations, which may lead to creating uncertainties and conflict of interests. Tax declarations, together with other legal regulations (e.g., customs and currency control matters) are subject to the review and investigation by number of relevant authorities that are legally enabled to impose extremely severe fines, penalties, and interest charges.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Six-Month Period Ended 30 June 2023
43. CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE GROUP

In 2022, global economies continued to recover from the recession triggered by the coronavirus pandemic, but the current global situation has resulted in the inflation rates increase and monetary policy tightening. The economy of Bosnia and Herzegovina, as well as the economies of neighbouring countries, are facing new challenges reflected in the energy product prices increase and slowdown of the global and economic growth, which is directly reflected on their growth, too. The Group constantly monitors the events worldwide and in the surrounding countries, taking all necessary measures to minimise their impact on the Group's business operations. At the issuance date of these financial statements, the Group continues to meet its liabilities as they mature and regularly provides services to its clients.

44. EXCHANGE RATES

The official median exchange rates for major currencies, established 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 2023	31 December 2022
Euro (EUR)	1.95583	1.95583
Serbian Dinar (RSD)	0.01668	0.01667
American Dollar (USD)	1.78811	1.83371
Swiss Franc (CHF)	1.99921	1.98622

45. EVENTS AFTER THE REPORTING PERIOD

On July 17, 2023, the Purchase Agreement of "TRION TEL" d.o.o. Banja Luka was concluded.

On July 27, the Share Transfer Agreement was concluded to transfer 100% of the ownership of shares in the company, and it represents the basis for the registration of the change of the ownership share in the Business Entities Register of the company "TRION TEL" d.o.o. Banja Luka, by which Mtel a.d. Banja Luka will become the sole (100%) owner of the equity of "TRION TEL" d.o.o. Banja Luka.

The share transfer from the seller to the buyer causes a change in the ownership structure in such a way that the ownership transfers to the buyer, with all the rights, obligations and authorization arising from shares. On the basis of the mentioned contracts, the Company acquired the right to be registered as the owner of shares in the competent court registers, thereby becoming the legal and real owner of the shares and acquiring all the rights of the share owners in the mentioned companies.

Considering that until the date of the approval of the financial statements for disclosure, the Company did not account the mentioned business changes, in accordance with the regulations of IFRS 3 "Business combinations" and in accordance with the afore-mentioned, the following disclosures could not be made:

- a qualitative description of the factors that make up the *goodwill* recognised;
- the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration;
- disclosures regarding contingent consideration arrangements and indemnification assets; and disclosures about acquired receivables.