

# Telekom Srbija

there where you are



## Consolidated annual business report of Telekom Srbija Group for 2020

Telekom Srbija a.d. Beograd

# Table of contents

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## **Introductory address**

<b>01.</b> Let us introduce ourselves	3
<b>02.</b> The macroeconomic environment and telecommunications market	6
<b>03.</b> Strategy	14
<b>04.</b> Customer focus	17
<b>05.</b> Investment in the future	20
<b>06.</b> Employee as a partner	29
<b>07.</b> Financial results	35
<b>08.</b> Risk management	38
	43

<b>09.</b> Corporate responsibility as a permanent commitment	47
• Goal 1. The world without poverty	49
• Goal 3. Health and welfare	50
• Goal 4. Quality education	51
• Goal 5. Gender equality	54
• Goal 6. Clear water and sanitary condition	55
• Goal 8. Dignified work and economic growth	55
• Goal 9. Industry, innovation and infrastructure	59
• Goal 11. Sustainable cities and communities	59
• Goal 12. Responsible consumption and production	61
• Goal 15. Preservation of life on earth	63
• Goal 16. Peace, justice and strong institution	64
• Goal 17. Partnership to goals	65

## Introductory address

It is with great pleasure that we present the Annual Business Report of Telekom Srbija Group for 2020 which, due to the coronavirus pandemics, was one of the more challenging over the past period. However, it is with joint forces that we managed to generate the results of which our shareholders can be very proud.

In 2020, our operating revenues at a consolidated level amounted to over 138 billion dinars, whereas operating profits before depreciation, interest and taxes (EBITDA) amounted to 49 billion dinars, which represents record amounts that we generated in our business operations so far against the background of the global crisis caused by the pandemics and continued pressure by the competition. We wish to stress that the key catalyst of our financial results in 2020 lies in a 13% increase in revenues from the Internet and revenues from multimedia by 22%.

Most importantly, we rendered the position of Telekom Srbija in Serbia, B-H and Montenegro dominant, so that a rise in revenues was guaranteed, with a very low risk of the customer base being affected by the competition. In 2020, we maintained the trend and even ensured an exceptional increase in the number of users in the sphere of the Internet and multimedia. The number of users rose by 8%, respectively, which goes for all of the Group members. In the mobile



Vladimir Lučić ■ CEO

telephony segment, the number of post-paid customers saw a 2% increase for all members of Telekom Srbija group.

Another important fact is that in the course of 2020 we became leaders in the production and distribution of TV content. We reinvented the Arena sports channel and became the main production power for series and documentaries in the broader region. With a string of channels that we commenced to broadcast, we proved to be very attractive for our users. We financed all of this using investment loans making sure that the debt did not exceed the telecommunications average of other telecommunications corporations. The good news is that the net debt of Telekom Srbija Group will fall in absolute amounts to ensure that we rank among the least indebted telecommunications operators in Europe.

We would like particularly to stress the fact that in 2020, on the model of European corporations, we issued for the first time corporate bonds, thus improving our liquidity and providing for more inexpensive borrowing for the company.

The investments made in the course of 2020 amounted to 56 billion dinars and were mostly aimed at multimedia content, further promotion of the ALLIP

project and an upgrade of the mobile network, which was also attested to by yet another recognition from RATEL, this being that in terms of all comparative measurements, Telekom Srbija is the best network in Serbia, primarily owing to the significant improvement of all services in all categories.

It is important for all telecommunications operators to understand that the telecommunications world has changed and that the success of a company is now differently measured. It should be kept in mind that currently the most successful and most valuable companies in our trade have become so precisely owing to their vast customer base and content offered to their customers. This is also our development strategy. Telekom Srbija is successfully adapting to market demands recognizing the importance of introducing new services, creating potentials for entering fresh markets. Besides the basic telecommunications services, at present, we mostly focus on the development and provision of multimedia, financial and digital products and services and on projects of exceptional importance for all people in the diaspora.

In the forthcoming period, Telekom Srbija will focus on the development of services and maintenance of acquisitions commenced in Serbia and the region. The focus so far on boosting the profitability of our main segments will continue to be our primary commitment, particularly in terms of increasing revenues from multimedia, and creating and selling content. Lying ahead for Telekom Srbija in 2021 is the necessary reorganization and modernization of its operations, optimization of costs, and a clearer focus on the needs of all customers and further development of digital services and content.

As of 2021, Telekom Srbija will have a special-purpose fund for financing start-up projects worth five million euros. Likewise, we shall continue to develop production and cooperation with the most distinguished world distributors. I believe that we shall promote our production across the world and that it will become an integral part of the television offer in many countries. Practically, we shall ensure that Telekom is positioned as the Serbian brand in digital services and content in the world market.

Through further development of Telekom Srbija in both the region and the diaspora, a company will be created whose income and profitability will make possible its further expansion in the region and beyond. The financial results that we achieved in 2020 clearly testify to the fact that we created a strong regional telecommunications leader and a company which has transformed itself by embracing fresh sources of revenues, contemporary organization and a new method of operation.

I am absolutely confident that in the years to come we shall build a telecommunications giant which we shall all be proud of and that we shall

be one of the main engines of economic development and coryphaei in the development of digital services and software solutions, which will be one of the main export branches of this country.

Finally, I wish to extend my special gratitude to our customers, business partners and owners for the trust placed in us. I also thank the members of the Supervisory Board and all employees of Telekom Srbija Group for contributing to the continuous success of our company.

Sincerely,

**Vladimir Lučić**  
CEO



# 01

**There where you are  
with us from day one**



Let us introduce ourselves...

We are operating on the markets of several countries on

**2 continents**

**Europe** Serbia, B-H, Montenegro, Croatia,  
Macedonia, Austria, Switzerland

**America** North America  
(US, Canada)

**more than 10 million**

satisfied customers

**12.493**

permanently employed

**11**

direct members



# Telekom Srbija Group



**m:tel**

## Banja Luka

Logosoft Sarajevo  
Elita Kabel Doboj  
Telrad NET Bjelina  
Blicnet Banja Luka  
Financ Banja Luka

**m:tel**

Podgorica

**\*supernova**

Limes Telekomunikacije



mts d.o.o.

Lika Zvečan  
VGN NET K. Mitrovica



mts Banka



**mts**  
Tvoj svet



MTEL Swiss SA, Ženeva  
HD WIN Arena sport Zagreb  
Euronews Beograd  
Arena Sport, Ljubljana

**TEL**  
AUSTRIA

Mtel Austrija  
TS:NET Amsterdam  
Link2yu Network, Beč  
Link2yu LLC Volnet, SAD  
MTEL Swiss SA, Ženeva

Antena PLUS

**Te**lyc<sup>а.д.</sup>

**yu.net**

### **Telekom Srbija a.d. Beograd**

<https://mts.rs/>

Telekom Srbija is one of the leading telecommunications operators in the territory of Serbia in all business segments. It was set up on 23 May 1997 in the process of the structural and ownership transformation of the PTT system of Serbia, as a single-member joint stock company. From June that same year, it was owned by three shareholders: JP PTT saobraćaja „Srbija“ (present-day JP „Pošta Srbije“), Telecom Italia (through its branch office STET International Netherland N.V) and OTE Greece. In 1998, it began to provide mobile services. In 2006, we introduced 3G technology and the provision of ADSL Internet services. As early as in 2007, Telekom Srbija became the leader in the sphere of telecommunications and began to expand to the markets of Bosnia-Herzegovina and Montenegro. This is how Telekom Srbija Group was set up. In the following years, it successfully kept abreast of market demands and also recognized the importance of introducing fresh services, creating the potential for entering new markets. Apart from the basic telecommunications services, at present it is substantially focused on the development and provision of multimedia, financial and digital products and services, as well as projects of exceptional importance for all people in the diaspora.

### **Telekom Srpske a.d. Banja Luka**

<https://Mtel.ba/>

One of the three national telecom operators in Bosnia-Herzegovina, Mtel Banja Luka offers unique communications solutions integrated under the corporate brand of m:tel. The following subsidiaries are majority-owned by it

- Logosoft Sarajevo, which includes Mts Sistemi i integracije, Beograd
- Elta Kabel Doboj
- Telrad NET Bijeljina
- Blicnet Banja Luka
- Financ Banja Luka

### **mtel d.o.o. Podgorica**

<https://Mtel.me/>

In April 2007, mtel Podgorica obtained a third operator licence in the territory of Montenegro. Its ownership structure is as follows: 51% Telekom Srbija, 49% Mtel Banja Luka.

After obtaining the licence for the operation of the mobile network, a state-of-the-art mobile network was built within a period of only 77 days, a period unrecorded so far.

### **ARENA CHANNELS GROUP d.o.o. Beograd**

<https://www.tvarenasport.com/>

Arena Channels Group is a company dealing with cable telecommunications via the Arena Sport TV channel and is the holder of the broadcasting rights for sports channels in the territory of the Republic of Serbia, Bosnia-Herzegovina, Montenegro, Macedonia and Croatia.

The following subsidiaries are majority-owned by it:

- MTEL Swiss SA Ženeva
- HD WIN Arena sport Zagreb
- Euronews Beograd
- Arena sport, Ljubljana

### **Mtel Global d.o.o. Beograd**

<https://Mtel.global/>

Mtel Global was created by integrating the companies which belong to Telekom Srbija Group. The idea of association and joint operations in the world market arose from the mutual goal – to establish inextricable ties with our people abroad, making it possible for them to foster the tradition and culture of their country of origin. The company rallies more than 100,000 our customers in the territories of the EU, Switzerland, US and Canada. The following subsidiaries are majority-owned by it:

- Mtel Austrija, Beč
- TS:NET Amsterdam
- Link2yu Network, Beč
- link2yu LLC Volnet, SAD

### **Moja Supernova d.o.o. Beograd**

<https://mojasupernova.rs/>

Moja Supernova is a cable service operator with a Serbia-wide presence, integrating more than 300 thousand Internet, TV and fixed telephony service users. Since its launch on the market on 1 April 2019, Moja Supernova has continually grown and developed to the satisfaction of its many customers. At the moment of compiling this report, under way is the process of integration of Moja Supernova and the parent company, Telekom Srbija. As at 31 December 2020, Moja Supernova included the Limes Telekomunikacije subsidiary.



## **YUNET INTERNATIONAL d.o.o. Beograd**

<https://www.yunet.rs/>

In 1994, Yunet became the first commercial Internet Service Provider which, keeping abreast of the market trends, transformed itself into a Managed Service Provider in 2017. Its strategic commitment is a full engineering of advanced ICT systems and their implementation per all stages of the life cycle, from the drafting of the strategy to implementation, introduction and maintenance. Over 50,000 satisfied customers testify to quality, seriousness, professionalism and commitment.

## **mts d.o.o.**

<https://mtsdo.com/>

mts d.o.o. was incorporated in October 2015 in accordance with the Telecommunications Agreement of 2013 in Brussels and Action Plan in the sphere of telecommunications of 2015. It holds a full licence for fixed telecommunications. Telekom Srbija is the founder and its sole member with a 100 percent share. Its subsidiaries are as follows include:

- Lika d.o.o. Zvečan and
- VGN Net d.o.o. Kosovska Mitrovica;

## **MTS Antena TV d.o.o. Beograd**

<https://mtsantentv.rs/>

Mts Antena TV deals with the sale of the Antena PLUS service to individuals and legal entities which provides for viewing the best sports, film and children's channels anywhere in Serbia via indoor and roof antennae without the Internet and the fixed telephone line.

## **Telus a.d. Beograd**

<https://telus.rs/>

Telus has been successfully operating for 15 years providing the following services: security services for facilities and property and hygiene maintenance in business premises and facilities. Telus is operating primarily with the Parent Company, but it endeavours to affirm itself on the market to a larger extent. Telus owns Telus Pro, Beograd.

## **Mts banka a.d. Beograd**

<https://mtsbanka.rs/>

Mts banka is a universally oriented financial institution, which provides its clients

with banking services and products, applying state-of-the-art information technologies. On 30 June 2021, the Bank will be integrated with Poštanska štedionica bank.

### **1.1.1.1. Significant changes in 2020**

In the course of 2020 and after the end of it, as at 1 February 2021 conclusively, Telekom Srbija Group continued to conduct status changes for the purpose of further optimizing its business operations and strategic positioning on the market through:

The set-up of Moja Supernova:

- The Kopernikus technology subsidiary becomes Moja Supernova.
- Citadela komunikacije merges with Radijus vektor.
- Charlie Plus and Charlie Plus Net merge with Telemark systems.
- The capital of Moja Supernova increases through the non-pecuniary stake of Telekom Srbija, which implies the ownership right over 100% share in the share capital of the companies which operated under the Supernova brand. In the course of the year, these companies merge with Moja Supernova.
- Moja Supernova acquires the ownership right over 100% of the stake in SRB Digital d.o.o. Novi Pazar, JM Oskar d.o.o. Kuršumlja, RDP Vizija d.o.o. Novi Pazar and Limes telekomunikacije d.o.o. Despotovac which integrate with Moja Supernova during 2020, except Limes telekomunikacije which was integrated in March 2021.
- The procedure for conducting a status change of merger of Moja Supernova with the parent company commences. Its completion is expected in the course of 2021.

Other changes:

- GO4YU d.o.o. Beograd becomes Mtel Global d.o.o. Beograd;
- MYD SPORTS SA Ženeva, Švajcarska becomes Mtel SWISS SA Ženeva, Švajcarska;
- HD-WIN d.o.o. Beograd becomes ARENA CHANNELS GROUP d.o.o. Beograd;
- mts d.o.o. acquires the ownership right over 100% of the stake in Lika d.o.o. Zvečan and VGN Net d.o.o. Kosovska Mitrovica;
- ARENA CHANNELS GROUP d.o.o. Beograd acquires the ownership right over 50% of the stake in Arena sport d.o.o. Ljubljana, Slovenija;
- Telekom Srbija acquires a total of 100% of the shares in the total share capital of mts banka.

During 2020, Telekom Srbija increased the number of placements by 7% as compared to 2019, so that as at 31 December 2020 they amount to 125.5 billion dinars:

	% of ownership by Telekom Srbija as at 31 December 2020.	2019.	2020.	Growth rate	Structure of placements
Telekom Srpske a.d. Banja Luka / Mtel Banja Luka	65%	56,933,380	56,933,380	0%	45.4%
"Moja Supernova d.o.o. Beograd (Kopernikus Technology d.o.o. Beograd in 2019. with merged cable operators)"	100%	43,522,609	43,922,609	1%	35.0%
Kopernikus Technology	717	23,014,534	-	-	-
Radijus Vektor	833	10,185,385	-	-	-
Masko		2,561,148	-	-	-
Telemark Systems		2,473,111	-	-	-
Exe Net		2,355,024	-	-	-
Avcom		1,503,008	-	-	-
BPP ING		1,124,595	-	-	-
SAT TV Meteor		305,804	-	-	-
Mtel d.o.o. Podgorica	51%	6,798,471	6,798,471	0%	5.4%
Arena Channels Group d.o.o.	100%	3,198,695	7,220,255	126%	5.7%
mts banka a.d. Beograd	100%	2,471,364	2,847,788	15%	2.3%
MTEL Global d.o.o. Beograd	59%	2,357,142	4,837,981	105%	3.8%
mts d.o.o. Kosovska Mitrovica	100%	1,656,748	2,477,477	50%	2.0%
Yunet International d.o.o. Beograd	82%	491,387	491,387	0%	0.4%
Telus a.d. Beograd	100%	9,030	9,030	0%	0.0%
mts AntenaTV d.o.o. Beograd	50%	1,234	1,234	0%	0.0%
<b>Balance as at December 31st</b>		<b>117,440,060</b>	<b>125,539,612</b>	<b>7%</b>	<b>100%</b>

Placements were primarily aimed at Arena Channels Group and Mtel Global.

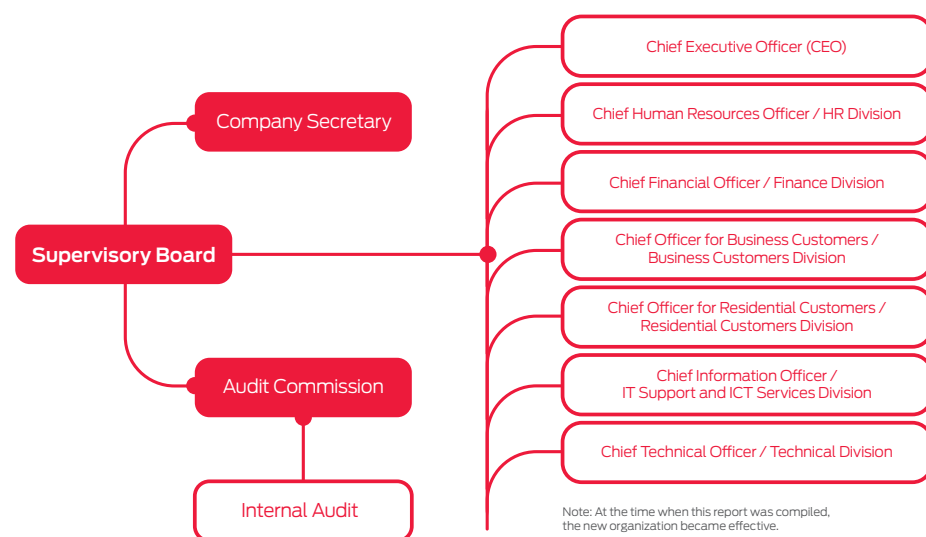
### 1.2. 1.2. Corporate governance

In accordance with the diversified business operations of its members, corporate governance within the Group is conducted at the level of individual companies.

The General Meeting of the Company includes all shareholders of Telekom Srbija a.d. Beograd. In 2020, the 55th regular session was held. The Supervisory Board (hereinafter referred to as: SB) performed the tasks falling within its purview in line with the applicable legal regulations.

In the companies which form part of Telekom Srbija Group, more specifically, at Arena Channels Group, Mtel Global, Moja Supernova and mts d.o.o., governance is organized as one-tier, which means that the corporate governance bodies include the General Meeting and CEO. In the other companies within Telekom Srbija Group, governance is organized as two-tier.

### The organization of the corporate governance of Telekom Srbija as at 31 December 2020



### The Code of Corporate Governance

Telekom Srbija applies the Code of Corporate Governance, which among other things, regulates as follows: shareholders' rights, remunerations and rewards to members of the corporate governance bodies, public relations, disclosure of data and transparency, and the promotion of the corporate system. The Supervisory Board is competent for the application and interpretation of the Code, regular monitoring of its implementation and compliance of the corporate organization and activities of the Company with the Code.

Mtel Banja Luka has its own Code of Conduct and Corporate Governance. All matters not regulated by the Code is directly subject to the provisions of the Company Law, Corporate Governance Standard, Articles of Association and other by-laws. The statement of Mtel about the compliance of the organization and activities with the code of conduct, that is, corporate governance standards, is published on the corporate website, in the Investors section ([www.Mtel.ba](http://www.Mtel.ba)) and the website of the Stock Exchange (<http://www.blberza.com>).

The subsidiaries within Mtel Group include: Logosoft, Telrad Net, Blicnet and Elta-Kabel also comply with the highest standards of corporate governance, which is a precondition for quality and long-term relations with the customers, partners and various stakeholders.

### 1.3. 1.3. Telekom Srbija as the catalyst

#### MISSION

Following the tradition that is binding to us, we provide unique digital experience to our customers, making their lives better, easier and more entertaining.

#### VISION

Keeping a step ahead, our wish is to be the preferred provider to customers in the digital world of services.

#### KEY VALUES

<b>Customers -</b>	<b>Satisfied customers are our first priority.</b>
<b>Team -</b>	<b>Our employees are our greatest capital.</b>
<b>Responsibility -</b>	<b>We act professionally with full responsibility for what we do.</b>
<b>Changes -</b>	<b>Constant change is imperative in our business operations.</b>
<b>Result -</b>	<b>We are result-oriented</b>

## Corporate culture

Against the background of dynamic development of technologies and strong competition on the telecommunications market, change is imperative for our business operations. The ability of swift and less complex adjustment to changes is a precondition for preserving the leading position on the market.

Given that corporate culture is created by employees, the implementation of new corporate culture will also call for joint efforts from all of us in order to solidify the groundwork of the future development of the Company, with a more responsible attitude towards work.

For orientation purposes, we use a specific compass: the Questionnaire for probing corporate culture, which we have used for years now to monitor our progress on our path.

The results of the questionnaire on corporate culture for 2020 unambiguously demonstrated that recognized had been the effort, commitment and endeavour invested by Telekom Srbija in maintaining the best market position of our company and protecting its employees and their health during the coronavirus pandemics.

All segments of corporate culture saw a substantial increase, but an extraordinary result was achieved in the structured/flexible dimension where the target value of this dimension had even been exceeded. This testifies to the fact that the employees welcomed the flexibility of the company to adjust to the changes in the method of operation and ensure that the business processes proceed unimpeded.

Likewise, the degree of engagement of employees, their personal initiative, motivation and responsibility, and the extent to which they feel supported and encouraged in the fulfilment of their tasks have seen a significant increase of 2-6% in all segments.

The employees' responses point to the fact that responsibility within the Company has been rising. Also, the employees more clearly understand their roles in the company. They feel encouraged and therefore their satisfaction with the reward system is greater, which is particularly important as it testifies to the benefits being in the right hands. Within teams, the employees feel well and productive, which demonstrates that with managers' support, they execute their tasks applying the corporate values in everyday work.

What particularly rejoices us is the fact that the employees understand that the Company's investments were made for the purpose of achieving the strategic

goals and preserving the leading position on the market. The trust in top management is evidently growing.

The development of culture is significantly impacted by the existence of the communities, being the virtual place where the employees may communicate with their likes, and share information, knowledge, experience and ideas.

Currently effective are the by-laws which instruct the employees to understand and develop the corporate values and culture within and outside the Company:

- Code of Corporate Culture
- Corporate Dress Code
- Business Communication Standards

# 02



**There where you are  
integrated in one  
business system**



# The macroeconomic environment and telecommunications market

According to the analyses of the World Bank, in January 2021, the world economy is gradually recovering from the consequences of the pandemics, with a forecast growth of 4% in 2021, which still accounts for a 5% reduction as compared to the pre-pandemics period. The indebtedness of countries is high in 2020 and instability on the financial markets may lead to a global recession. The economic activity in the EU has substantially worsened, particularly in the sphere of service provision and tourism. According to the latest projections, a GDP in the EU is expected to grow by 3.3 percent in 2021.

## Telecommunications market in 2020 and trends<sup>2</sup>

“All global operators are confronted with the same challenge and customers want their operators to offer them the best service possible at lower prices. In addition, customer demands are reflected in the need for such applications to operate unhindered via the operator’s Internet. A better service implies major investments in the network, primarily optical and 4G/5G, because of which the operators are met with the necessity of increasing investments concurrently with a fall in revenues. Operators are continually seeking new ways to expand their offer, retain their customers and boost revenues. One of the strategies, which was also opted for by Telekom Srbija, implies entry into the video content

production market, keeping abreast of the global trends. The examples of such option are many across the world and it is often achieved through acquisitions or partnerships with major media houses.

## Customer structure on the Serbian market and share of Telekom Srbija Group

(in mill.)	No. of customers on Serbian market			Telekom Group share on the market	
	2019.	2020.	Growth rate	Telekom Group	Other operators
Fixed telephony	2,41	2,40	-0,41%	76%	24%
Mobile telephony	8,50	8,26	-2,82%	44%	57%
Internet (fixed broadband access)	1,64	1,72	4,88%	53%	47%
Distribution of media content	1,96	2,12	8,16%	44%	56%

<sup>2</sup> An abstract from the article <http://communications.rs/digital2020-dorde-marovic-telekomunikacije-u-srbiji-i-regionu-dozivljavaju-stalnu-ekspanziju/>

Telecommunications in Serbia and the region have seen continued expansion for more than two decades now. In this sphere, the region is not lagging behind the world. Internet traffic in Serbia evidently grows every year, which is particularly true of this year due to the COVID-19 pandemics, when an even greater increase has been recorded. The share of smartphones is on the rise, an increasingly higher number of services are available in digital form, users more often access video content via the Internet instead of broadcast television and global content providers such as Netflix and Spotify have come to Serbia.

At the same time, operators are pressured into competing by the competitiveness of their offers, both between themselves and with global players, such as Viber, WhatsApp, Google and the said providers and retaining their customers by offering them an innovative and accessible service. The market is saturated with offers of free communications services.

This trend has undoubtedly resulted in the drop in operators’ revenues from classic services, such as the voice service and SMS, and the need for offering customers fresh content and a new way of “consumption”.

The general trend in telecommunications has not by-passed the regional market. The number of fixed service subscribers has dropped, but the downward trend for the number of fixed service users has been mitigated by customers’ switching to integrated services using fixed networks.

The total market of telecommunications services in Serbia is on the constant rise. It is anticipated that last year, it reached some 1.8 billion euros, and it is realist to expect that in 2021 it will reach 1.85 billion euros.

Takođe, statistike pokazuju da prosečan stanovnik Srbije troši oko 5.500 dinara mesečno na telekomunikacione usluge, što je 10% prosečne plate.

Likewise, statistics shows that the average citizen of Serbia spends some 5,500 dinars a month for telecommunications services, which accounts for 10% of the average salary. The penetration rate of mobile telephony accounts for 98.35 in B-H, Montenegro 174.51%, Serbia 122%, and Croatia 104.36%.

In all segments of the telecommunications market in Serbia, Telekom Group has a majority or a significant share particularly in the telephony segment (75.6%), mobile telephony (43.5%) and the Internet with Supernova (53.4% whereof 39.9% pertains to Telekom Srbija and 13.5% to Moja Supernova). In the segment of media content distribution, Telekom Srbija has increased its share as compared to the past year through the new acquisitions of cable operators. In the Bosnia-Herzegovina market, mobile telephony users are the most numerous (3.5 million). At the end of the third quarter of 2020, the total number of active fixed telephone lines of dominant operators was 566,421, and the number of broadband access subscribers increased to 751,250. The revenues in the telecommunications market of Bosnia-Herzegovina in 2019 amount to 634.13 million euros, the greatest portion in total revenues being generated from the provision of mobile services.

#### Customer structure in the B&H market

(in '000)	2019.	2020.	Growth rate
Fixed telephony	578	566,42	-2,00%
Mobile telephony	3.800	3.472,99	-8,61%
Internet (fixed broadband access)	717	751,25	4,78%
Distribution of media content	833	832,90	-0,01%

At the end of 2020, in Montenegro there are 1,080,089 mobile users (with a penetration rate of 174%), 6.2% less as compared to the past year.

In the course of 2020, the total reduction in the number of mobile customers is evident, whereas Mtel Podgorica still has the greatest number of customers – 34.89% share in this market segment.

#### Customer structure in the Montenegrin market

(in '000)	2019.	2020.	Growth rate
Fixed telephony	188,10	191,77	1,95%
Mobile telephony	1.150,35	1.080,09	-6,11%
Internet	123,53	184,04	48,98%
Distribution of media content	237,75	240,11	0,99%

Still obvious is a downward trend as regards the number of fixed service users of Crnogorski Telekom, and the concurrent strengthening of other companies in this segment. Mtel Podgorica has 36.6% market share with a tendency of seeing an increase in the number of customers.

The background of the slide is a blurred photograph of a chess game. Chess pieces are visible on a board, with a strong red color overlay across the entire image. In the upper left, a person's hand and arm are partially visible, reaching towards the board. The overall composition suggests a strategic and competitive environment.

# 03

**There where you are  
confident with our  
business strategy**

# Strategy

## Development of digital ecosystems 2018-2024

### IOT ecosystems

Telekom Srbija commissioned LoRA IoT platform in 2018, whereby it implemented several services for its in-house needs and enabled a large number of partners the development of their own IoT services. Since 2021, the activities on the development of digital ecosystems have intensified, with special focus on IoT (Internet of Things) business line as a new revenue source, taking the benefit of Telekom Srbija's ability to provide all types of device connectivity: landline optical infrastructure, mobile technologies LTE (LTE-M, NB IoT), LoRa and 5G prospectively. The programmes and underlying projects and activities in this sphere, both market-wise Programi i pripadajući projekti i aktivnosti iz ove oblasti su, (customer segments), and organization-wise (internally in Telekom Srbija) have been recognized and planned in three directions:

- The development of smart cities and IoT-based services of public importance
- The industrial IoT with a stress on critical systems where it is necessary to accomplish small latency and high reliability

- Smart Home and personal use

Likewise, the activities in the domain of digital ICT services through partnerships will intensify, based on As a Service models on the Telekom Srbija cloud platform.

### Development of eMoney payment ecosystems

Since March 2020, the mts Wallet service has been launched, based on the mWallet system and e-money institution licence. The system is currently in the preparatory stage for migration to the production that will facilitate the following functionalities:

- Customer registration and service activation through a mobile app
- Registration of merchants / partners of Telekom Srbija in the development of the eMoney payment ecosystem
- Payment at points of sale and online stores
- mts Wallet top-up, i.e. purchase of eMoney via online payments and payment orders

eMoney payment ecosystem is designed for digitally savvy customers, who are ready to embrace new payment methods, and on the other hand for merchants, who need an alternative non-cash payment method.

### Strategic cooperation with Poštanska Štedionica (Postal Savings Bank)

Over the past few years, Telekom Srbija was involved in the development of financial services for its customers, particularly since 2017 following the acquisition of mts Bank. Given that as of 1 July 2021, upon the merger of mts Bank and Poštanska Štedionica, Telekom Srbija will be in the ownership structure of PSB, it is reasonable to expect further development of joint services and offerings for a considerably larger customer base of both state-owned companies. The joint market approach will be aimed at retaining the existing clients, provision of new advanced services, different campaigns for specific customer categories, as well as an intensive digitalization of Postal Savings Bank.

The ultimate goal of strategic cooperation is the connection of all services at one place, through a single system or application, which will ensure superior customer experience to all household members.

## 3.2. Business activities of Telekom Srbija and its affiliates in the 2021-2024 period

In the 2021 – 2024 period, main business activities of Telekom Srbija will be focused on increasing the company's efficiency and profitability, with an



intensive development of digital ecosystems.

### **Stepping up the projects in diaspora**

The diaspora project utilises the infrastructure of EU and US operators, and it is based on the sale of TV content that Telekom Srbija has already earmarked the funds for, which results in a low initial investment with high profit margin. This project will cover Austria, Switzerland, Germany, USA and Canada.

### **Development of digital services**

- The development of digital ecosystem with the services for residential customers and homes will include the services such as smart home, insurance, gaming, financial services, various digital contents and applications in the domain of entertainment and learning and it will cover all segments of residential customers, from children to seniors.
- The development of digital ecosystems for business customers and public sector, based on IoT solutions, and as-a-service business models with partners such as smart cities, industrial critical systems for remote production management, private networks, various as-a-service platforms and software-as-a-service apps for the support and promotion of business, eHealth services, cybersecurity, etc.
- The development of ecosystems related to Telekom Srbija's mWallet and eMoney, by enabling eMoney payments and money transfers
- The development of integrated services through the cooperation with Poštanska Štedionica (Postal Savings Bank), Pošta (Serbian Postal Services) and Dunav Osiguranje (Insurance Company)
- Establishing a venture capital fund to finance start up projects

### **Further acquisitions in Serbia and potential expansion to other territories**

- Although the scope of acquisitions will be smaller than it was in the previous period, market consolidation will continue primarily through the acquisition of cable operators in Serbia and Bosnia-Herzegovina
- The markets of portals and media will be continuously monitored, but also the telecommunications market in the region, so as to timely notice good prospective acquisitions

### **Increased multimedia content-based revenues**

The current source of multimedia, channels, series, sports content is financed by other revenue stream of Telekom Srbije Group, which contributes to the growth in the number of multimedia customers. Therefore, the idea behind the development of own production and channels is for them to help Telekom

Srbija offer a superior offer of channels, and on the other hand to become a strong profit centre capable of autonomously financing the entire development. Additional revenue from own content is expected through:

- The sale of Arena and our other channels to cable operators in the territory of EX-YU countries.
- The sale of OTT Arena Cloud app in the area of EX-YU countries, designed for all customers who want to have Arena and our other channels, easily available on their mobile handsets
- The sale of content (series, documentaries) to other TV stations and global platforms, such as Netflix.
- The sale of marketing space on own channels.
- This segment is planned to become profitably by 2023, without further investments by Telekom Srbije

### **Merger of Supernova and Telekom Srbija and the acquired cable operators in Republika Srpska with Mtel Banja Luka**

- Market consolidation brings the opportunity to achieve higher revenue per user and cost optimization, such as human resources, rental fees, maintenance, etc.
- The increased number of customers will bring down the cost per user paid for content, and it is expected that the number of postpaid customers will grow as a result of offering service bundles to the acquired cable customers and mobile telephony customers

### **Cost optimization, smart Capex and centralized Group management**

Through the audit of all cost groups, centralization of procurement procedures, service development, technical and IT development and marketing concept development, by applying advanced analytical tools cost optimization and increasing the efficiency of all business processes will be continuously performed

As for the investments in information and technical capacities, the investments will be predominantly led by smart capex principles based on customer requirements, in order to ensure the best customer experience coupled with an optimal return on investment. The largest investments are expected in the domain of further development of fixed optical and mobile infrastructure, where an auction is expected for 5G technology in Serbia in the 2021-2022 period.



# 04

**There where you are  
the most important  
segment and a  
significant partner in  
our business**



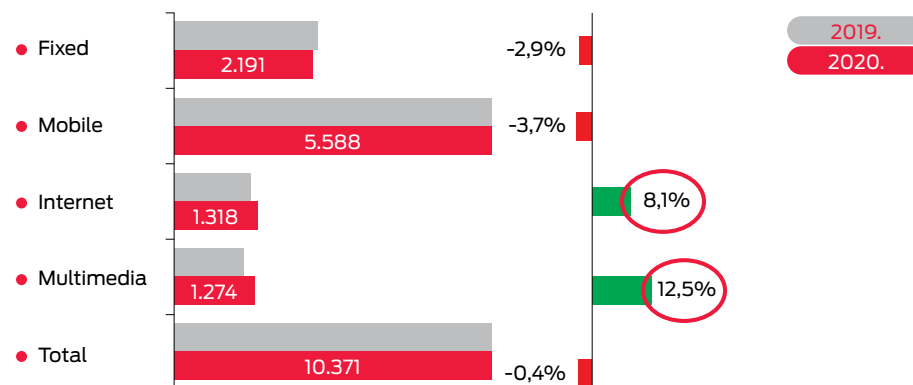
## Customer Focus

On the markets of the Republic of Serbia, the regional and also the EU and US markets, Telekom Srbija Group presently provides the services of fixed telephony, mobile telephony, Internet, ICT services, multimedia content, integrated and other services. Telekom Srbija's mobile telephony was established on 9 June 1997. The Company started providing mobile telephony services in 1998, 3G technology and ADSL broadband services were introduced in 2006, multimedia services (IPTV) in 2008, and LTE (4G) in 2015.

### Total number of customers per member

	2019.	2020.	Gerowth	Structure
Telekom Srbija	7.174.148	7.086.867	-1%	68%
Mtel Banja Luka	2.083.654	2.004.409	-4%	19%
mtel Podgorica	559.651	588.598	5%	6%
mts d.o.o.	56.952	60.715	7%	1%
Moja Supernova	479.520	585.043	22%	6%
Mtel Global (Mtel Austrija)	56.042	45.697	-18%	0%
<b>Total:</b>	<b>10.409.967</b>	<b>10.371.329</b>		<b>100%</b>

### The structure and growth and total customers at the end of 2020 (in '000)



The customers of Telekom Srbija Group are enabled to integrate services and make their own service bundles based on their needs. Telekom Srbija offers integrated services within BizPaket and BizDuo package for business customers and BOX2, BOX3 and BOX4 for residential customers.

Mtel BiH offers BizPaket and m:Tvnet, while mtel Podgorica offers to its customers m:box package.

The youngest member of Telekom Srbija Group, Moja Supernova, also provides its customers with an option to mix the services within the Supersve and Superpar bundles.

### What is new in 2020

The bitrate in download and upload mode was introduced for the provision of FiberBiz service within the BizPaketa and BizDuo package for business customers. Three new bundles BOX4 with mSAT were introduced in the offer for residential customers, as well as e-bill. For the purpose of enriching the bundle of integrated services, Mtel BiH introduces a new bundle of services in its offer, and increases the bonus of mobile internet within the package.

In 2020, Mtel Podgorica enhances the existing portfolio of Box bundles where they moved from 1 package with 4 services to 3 packages, enriching the offer at the same time, particularly in the segment of mobile services. Moja Supernova has introduced a new category of bundle packages, duo and trio – MAX, represented as premium service for the most loyal customers – natural persons. An extra category was introduced for legal entities, exclusively available on optical infrastructure – GIGA package. New service bundles, although with the same price independent of the infrastructure, have a higher bitrate on optical infrastructure.

## 4.1. Fixed telephony

In fixed telephony, Telekom Srbija Group offers a range of services for business and residential customers in Serbia, Montenegro, Bosnia-Herzegovina. Voice traffic, number portability, IN services, fixed business line, Business Trunking, BizFon, BizinoCall, cost-saving services are just a part of an extensive offer in fixed telephony.

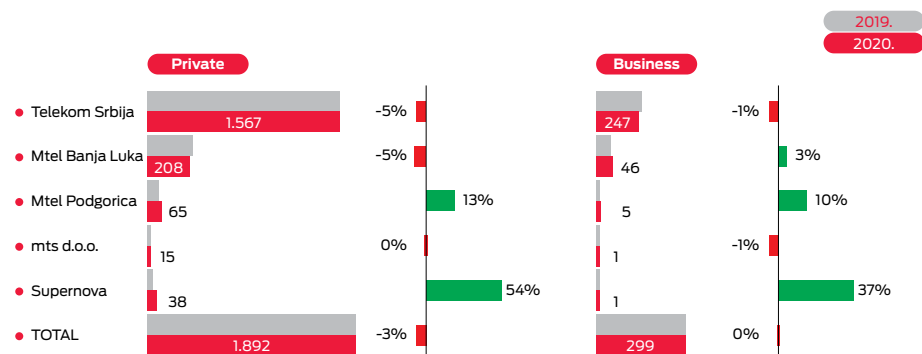
The number of fixed telephony subscribers is over 2 million, largely from the Republic of Serbia. In the parent company, Telekom Srbija, and its subsidiary Mtel Banja Luka, the number of fixed telephony subscribers at the end of 2020 is lower than the number of customers at the end of 2019, while the respective number in subsidiaries Mtel Podgorica and Moja Supernova is higher.

### Total number of fixed telephony subscribers by member and segment

	2019.	2020.	Growth rate	Structure
Telekom Srbija	1,890,867	1,813,668	-4%	83%
Mtel Banja Luka	263,512	254,696	-3%	11%
mtel Podgorica	61,370	69,386	13%	3%
mts d.o.o.	15,546	15,488	-0.4%	1%
Moja Supernova	24,841	38,248	54%	2%
<b>Total</b>	<b>2,256,136</b>	<b>2,191,486</b>	<b>-3%</b>	<b>100%</b>

At the end of 2020, the Group had 1.9 million residential customers and some 300 thousand business customers.

### The number of residential and business customers of fixed telephony (in '000)



## What is new in 2020

The fixed telephony for Telekom Srbija business customers has seen the introduction of a new commercial model for IN services FreePhone service (FPH) and Universal Access Number (UAN). Pursuant to RATEL's requirement, all IN services are available to customers of all national mobile and fixed networks, so that business customers will no longer have to choose which national networks their service will be available from.

The users of BizFon service have a new model of SIP direct phone that enables an easier service implementation at customer location with no need to set up and use additional Ethernet cables.

For the customers in Bosnia-Herzegovina, Mtel services of Fixed prepaid, electronic top up of prepaid accounts is enabled via IPTV shop, web page and via m:pay app. The tariff option "BiH fixed – other operators" has been introduced in the permanent offer. Fixed telephony service VoBB PBX has been upgraded in such manner that customers have various add-on services available after the model IP Centrex services, which facilitates easier integration of VoBB PBX services in IP Centrex in line with customer needs.

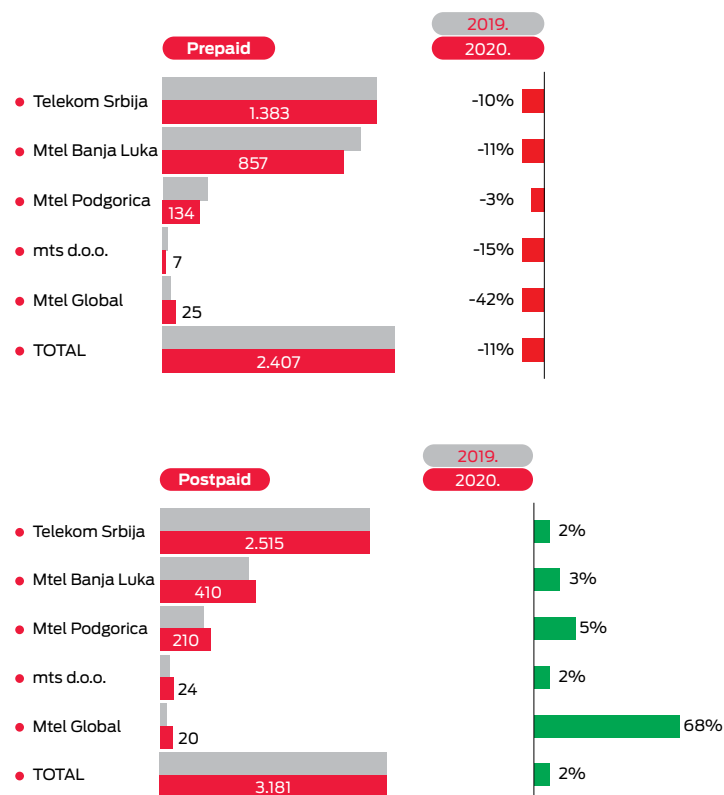
Moja Supernova has provided to its fixed telephony customers, within the service bundle, free calls to fixed and mobile networks of Mtel Podgorica and Mtel Banja Luka operators, both for individuals and for legal entities.

## 4.2. Mobile telephony

Within mobile telephony of Telekom Srbija Group in the region and in the international market, there is a wide range of services available. In addition to voice traffic, the offer includes the mobile internet services, business tariffs, roaming, IN services, BizinoCall, BulkSMS, eSIM, VoLTE, insurance and other services.

The total number of mobile telephony subscribers on the Group level at the end of 2020 equals 5.6 million. The overall structure of customers is dominated by the customers of Telekom Srbija with some 70% and Mtel Banja Luka with 23%.

## The number of prepaid and postpaid customers of mobile telephony (in '000)



## The structure and growth of mobile telephony customers

	2019.	2020.	Growth rate	Structure
Telekom Srbija	4,016,385	3,898,690	-3%	70%
Mtel Banja Luka	1,359,201	1,267,473	-7%	22%
mtel Podgorica	338,057	344,433	2%	6%
mts d.o.o.	32,007	31,295	-2%	1%
Mtel Global (Mtel Austrija)	56,042	45,697	-18%	1%
<b>Total</b>	<b>5,801,692</b>	<b>5,587,588</b>	<b>-4%</b>	<b>100%</b>

At the end of 2020, the number of prepaid customers equalled 2.4 million, accounting for 43% of the total number of customers, while the number of postpaid customers equalled 3.2 million, accounting for 57% in the total number of customers. All Group members record a decline in the number of prepaid customers and a growth of postpaid customers compared to the last year.

## What is new in 2020

In the area of Telekom Srbija mobile telephony, new m:tel add-ons were introduced – international minutes, InoGlobal and InoRegion add-ons for international calls. New tariff add-ons were introduced for prepaid customers – Combo add-ons, providing the customers with favourable national traffic, minutes, SMS and DATA. New postpaid and postpaid net tariffs were introduced, new internet add-on Net 100 GB and 2GB roaming internet add-on. Roaming fees were reduced in the West Balkans countries, and new price list adopted for international calls subject to defining percentile discount by zone and country. A virtual eSIM card is a novelty in services both for business and for residential customers. In addition, Mobile Log service was introduced as an option to access portals from mobile phone, BizSMS service was enhanced by new apps, while VoLTE and shared net are new services.

eBill service was introduced for all customers who opt to receive bills electronically, subject to reduced monthly fee for the service they use, for all services except fixed network service which is not within the service bundle. Postpaid service of Mtel Banja Luka mobile telephony was enriched with new rate plans Subscription XS+ and Subscription KDRS. A new rate plan Combine Biz 50 was introduced for the customers of Total Group; a new rate plan Combine 5 was developed; a new tariff option Net Roaming Croatia was introduced, that can be used in all networks in Croatia and various promotional offers for the users of rate plans.

As regards Prepaid services of Mtel Banja Luka, personalized offers were developed for the users of „Dopuna“ (Top-up) service and new method was introduced for topping-up via m:voucher and via IPTV Shop. The users of Top-up Net service have a new start package „DopunaNET:L“ available. Rate plans were introduced for the mobile internet access - NetBiz S, NetBiz L, NetBiz MAX S and NetBiz MAX L.

In the postpaid tariff packages within the mobile telephony segment, Mtel Podgorica continues the promotion of a new group of packages - Urban NEO, characterized by unlimited minutes to all networks in Montenegro and Internet resources. The offer for seniors has been revised as well, by introducing two new packages Senior Max and Senior Extra. The ultimate offer of mobile phones has been prepared for new users of the aforementioned packages.

In the segment of prepaid services, a prepaid package VRH was launched on the market with specific benefits in a form of weekly and monthly plans. In cooperation with the Post of Montenegro it enabled the telegram service via mobile phone. Deezer and mPAY for the first time in Montenegro enables m-payments to all customers of Mtel Podgorica.

### 4.3. Internet and ICT/IoT

Internet services include prepaid and postpaid internet access for residential customers, internet for business customers (InternetMax, FiberBiz, FiberPro, WiFi), data transfer and smart services. ICT includes a wide range of ICT services, Cloud services, Security services, Telehousing, Hosting ICT outsourcing as business solutions, business networks and preparation of customized IT solutions.

#### Internet customer trends and structure at the end of 2020

	2019.	2020.	Growth rate	Structure
Telekom Srbija	733,981	755,037	3%	57%
Mtel Banja Luka	233,972	245,808	5%	19%
mtel Podgorica	72,622	77,590	7%	6%
mts d.o.o.	5,256	6,608	26%	1%
Moja Supernova	173,569	233,263	34%	17%
<b>Total</b>	<b>1,219,400</b>	<b>1,318,306</b>	<b>8%</b>	<b>100%</b>

Note: ADSL customers of Yonet constitute a part of internet wholesale operations of the parent company Telekom Srbija which is why they are not separately presented in the table above

Total number of internet users on the Group level at the end of 2020 was more than 1.3 million which is 8% higher compared to the previous period. This number includes ADSL customers of the parent company, Telekom Srbija, and its subsidiaries Mtel Banja Luka and mts doo, as well as subsidiaries Moja Supernova and Mtel Podgorica, that use the internet via cable technology, or via wimax technology.

Owing to the strategic initiative of Telekom Srbija Group, IoT services have opened new perspectives in a wide portfolio of services in the domain of business and residential customers. It consists of all services with Smart prefix (Smart City, Smart Home, Smart Agriculture, Smart Meters, Smart Health) Mtel Digital Factory in Montenegro represents a significant incubator in the development of all digital services with the participation of startups. The ideas and unique approach with potential at competitions can be promoted in further joint distribution and thus offer the young people a chance for development

and additional advance, and the company can be enabled to distribute its most promising products.

IoT platform with the associated network of LoRa WAN Gateways was setup in Republika Srpska, after the model of IoT platform in Serbia, and it already provides commercial results to customer satisfaction. The customers in Žepča and Gradiška already have smart service of reading the water consumption. In Prijedor, thanks to the Municipal Administration, the Smart City is already in place. For the time being, they have the air quality meters, noise meters and water level on the Sana River. The citizens of Banjaluka also have the initial stage of implementation of the Smart City in a form of 30 street LED lights. IoT platform was setup in Serbia two years ago and there are 20 pilot projects underway, in the final stage or waiting for their full commercial application

- Protection and surveillance of the international railway freight transport on the Subotica-Preševio corridor.
- Digital orchards and vineyards, with appropriate sensors and software modules, predict diseases and insects, frost and optimization of irrigation.
- Measuring the level of food in silos and environmental parameters where fatlings are accommodated.
- Protection of the infrastructure on main roads in Serbia and measuring parameters when there is ice on roads.
- Remote reading of gas and water consumption.

The main reference of Telekom's achievements in the IoT field is the System for the surveillance of telecommunications underground infrastructure, the importance of which exceeds individual small-scale implementations in a wider context. The scope of that project in European proportions is at the very top by its duration (more than two years) and the number of sensors. With more than 16,000 sensors in Belgrade and its surroundings, all the existing services of business and residential customers are protected (Internet, mobile and fixed network, TV) not only of Telekom Srbija, but that of other providers as well who use Telekom's ducts. Given the frequent thefts and abuses, Telekom Srbija has thus established full control and order of its resources and made massive savings.

#### What is new in 2020

Business customers of Telekom Srbija had their Internet services upgraded, reflected in increased bitrates in download and upload for the FiberBiz service, with no change in prices. The users of specific Mobile Net tariffs are provided with free-of-charge Biz Mtel 365 add-on in the networks of m:tel Montenegro and BiH. New Internet FiberPro service was introduced, comprising the add-on service for accessing the Net Monitor portal, where customers are enabled to easily track the performances of Internet FiberPro and Fiber Pro Libero on all their locations, and to receive relevant reports.



In addition to e-bill for residential customers in the mobile internet segment for residential customers, the offer of tariff packages was modified: Mobile Net Start, Plus and Max.

The introduction of Hybrid Access service for all residential customers has the goal to provide all customers with with technical capacities for the services such as BOX, faster Net packages and mtsTV, or the services that require high-speed Internet on customer premises. Following an analysis of the market and opportunities, and an analysis of the method of addressing similar issues at other incumbent operators in the neighbourhood, a hybrid model was introduced (xDSL and LTE modem in one).

The hybrid is designed for all new and existing mts customers regardless of geographic location (urban, suburban and rural areas), on condition they are segmented for this service type. It has been enabled to provide the Service Bundles for the implementation of IoT solutions. The packages comprise of several services executed upon customer demand and they involve the delivery of sensors, apps for reading the service parameters and software for sensor management, mts IoT service (service implementation via LoRa network and IoT platform of Telekom), technical support and regular maintenance of LoRa sensory devices and apps, SaaS (accommodation of software storage, or app on Telekom's infrastructure). ICT services for business customers in 2020 are characterized by new services such as E-voting, a new software solution WiFi Hot Spot for business customers. The services of Mtel BiH have been refreshed by the introduction of rate plans for mobile internet connectivity, NetBiz S, NetBiz L, NetBiz MAX S and NetBiz MAX L. In ICT services the offer of VDC (Virtual Data Center) services has been improved, Kendo Manager Software service, Time Tracking service, Bizbook service, while LoRaWAN is a new service of IoT connectivity via LoRaWAN network for business customers.

In mid-March, upon the pandemic breakout, Mtel Podgorica intensified its activities on the promotion of digital services, particluarly moj Mtel application (My Mtel app), online payment of bills, as well as web shop. By introducing a single package of the Internet service, competitive to the offer of ISPs on the market, Moja Supernova has enabled both cable and optical internet to its customrs, with favourable monthly fees and benefits, while allocating static IP address for legal entities.

Yunet International continued its continuous campaign on the retention of its xDSL customers through the existing campaigns. The following services have been rolled out or novated: correction of VPS packages, the offer of IP PBX exchanges in the cloud has been supplemented and on-prem solution. In cooperation with Ibis Instruments, SIEM-Q Radar hosted solution was

created. Implementation of IoT services was initiated for sensors on the logistics premises of the company "Glumac d.o.o". Implementation of IoT PoC solution was initiated for agricultural produce for the movie "Zobnatica". The environment on IoT platform was configured, sensors were procured and setup and their installation is awaited.

#### 4.4. Multimedia services

Multimedia services of Telekom Srbija Group, through the parent company and its subsidiaries, are provided across the region, EU countries and the US. These services include the following: mts TVGO, mts hotel TV, mts bizTV, msatTV, Antena plus, Klik sport, Arena Cloud as well as IRIS TV enhanced multimedia platform.

##### Trends of multimedia customers and structure at the end of 2020

	2019.	2020.	Growth rate	Structure
Telekom Srbija	532,915	619,472	16%	48%
Mtel Banja Luka	226,969	236,432	4%	18%
mtel Podgorica	87,602	97,189	11%	8%
mts d.o.o.	4,143	7,324	77%	1%
Moja Supernova	281,110	313,532	12%	25%
<b>Total</b>	<b>1,132,739</b>	<b>1,273,949</b>	<b>12%</b>	<b>100%</b>

The users of the Group's multimedia services include IPTV customers of the parent company, Telekom Srbija, and its subsidiaries Mtel Banja Luka and mts doo, as well as cable customers of subsidiaries Mtel Podgorica and Moja Supernova. Likewise, the total number of multimedia customers in 2020 include m:sat customers of the parent company Telekom Srbija and its subsidiaries Mtel Banja Luka, Mtel Podgorica and mts doo.

Telekom Srbija accounts for some 49% in the total number of Group customers, while Moja Supernova accounts for some 25% in the total number of customers.

##### What is new in 2020

When TV services in 2020 are concerned, in the segment of business customers, new functionalities were introduced and the existing ones enhanced within mts BizTV service for business customers of non-hotel type, under the new brand IRIS. Under the IRIS brand, the improvement was made for residential customers as well. Iris TV represents an upgraded multimedia platform which brings new functionalities and a modern user interface. In addition to new design which enables simple service use, Iris TV brings additional improvements:

- Possibility of using the Time Shift service up to 30 days behind
- Personalized recommendation – the user receives a recommendation for the

content (TV channel or VoD content) based on his/her preferences and prior usage habits

- Picture in Picture – enables the user to watch two channels simultaneously (one on the big screen and the other on a smaller upper right-hand side window).
- My TV – a separate part of menu where users can easily find the content they started watching as well as their favourite content
- Improved parental control – in addition to TV channels, users can now lock specific VoD categories
- Playlists – users can create their playlists of various VoD content to be screened at a desired queue
- Sorting channels – users can create their order of channels within TV Guide and Mini TV Guide

Residential customers of mSAT TV service are enabled to use the service on up to three extra STBs. The users of IRIS TV and m:SAT services are enabled to watch a large number of additional packages, channels and VoD content free of charge, while BIZ Hotel TV service has also been improved. The multimedia offer has been enhanced by introducing applications for the distribution of various multimedia content of music, sports, movies. In addition to NBA app introduced in 2019, we introduced Deezer in 2020. The greatest novelty in 2020 of Moja Supernova company, from customer experience perspective, is the introduction of MOVE offer. The main change is the introduction of a new, hybrid MOVE device, that supports shared functionality of linear and CUTV TV. Apart from this functionality, MOVE device



According to the official RATEL research "Benchmarking of mobile networks" conducted in September and October 2020, mts is the number 1 network in Serbia. The study was conducted in four categories that include voice service testing, data services, WEB browsing and the use of Youtube.

enables the user to access the VoD content, as well as multiscreen (viewing the TV content on portable devices, such as mobile phone, tablet or computer).

#### 4.5. Services and customers of other companies

**Mtel Global** has MTEL TV service-OTT TV in its offer; MTEL Calling – Talk&Text application that enables calling of fixed and mobile numbers in Serbia and MTEL Homephone – the fixed (VoIP) telephony service that enables the users to call fixed and mobile numbers in Serbia via the MTEL Global fixed telephone service. The number of users of the OTT TV services, considering all the platforms and the acquired bases, went up compared to 2019 – by 63% which amounts to 44,870.

The antenna plus service provided by mts Antena TV implies delivery of the video content (digital TV) via the network of terrestrial TV transmitters (DTT) using the system that enables setup of a package containing several television programs (multiplex).

#### Overview of the Antena plus service users

	2019.	2020.	Growth rate
Residential customers	20,684	15,665	-24%
Business customers	191	182	-5%
<b>Total</b>	<b>20,875</b>	<b>15,847</b>	<b>-24%</b>

#### Arena Channels Group

Arena Channels Group doo has assigned the Ex-Yu channels to the cable operators in the territory for distribution to end users. Arena sport was engaged in production of various sports events and football leagues in the territories where it is present (SL, ABA, BPL, KLS, LŠ and LE). All-important competitions are broadcast from a TV studio and in special shows in own production. Special attention is focused on prestigious tournaments, such as, NBA League.

#### Geographic distribution of ArenaSport users

	2019.	2020.	Growth rate	Structure
Serbia	896,100	950,000	6.0%	39%
Montenegro	80,000	80,000	0.0%	3%
BIH	823,400	825,000	0.2%	35%
Croatia	380,000	400,000	5.3%	17%
Macedonia	135,000	135,000	0.0%	6%
<b>Total</b>	<b>2,314,500</b>	<b>2,390,000</b>	<b>3.3%</b>	<b>100%</b>

During 2020, **mts banka** conducted two marketing campaigns financed from the funds provided by Telekom Srbija a.d. The first campaign was a multipurpose package of products named “NAJ paket” which resulted in the sale of 292 packages with the value of RSD 233.2 million. During the second “NAJ” campaign, 163 packages were sold with the value of RSD 125.7 dinars. The cooperation with Dunav osiguranje continued, primarily in the provision of products and services creating a high potential base of clients and users. Beside the significant growth in credit portfolio for individuals and legal entities in 2020, this bank also generated a surplus in liquid assets, which it directed to interbank loans and overnight (excess) deposits with NBS.

mts banka had a total of 127 thousand clients at the end of 2020. An increasing trend in the transaction and term deposits by households continued. The policy of interest rates on fixed term savings (dinar and foreign currency) made it possible for mts bank to become a competitive bank compared to other banks, which resulted in an increase in deposits.




The largest users of Telus’s services are Telekom Srbija, Serbian Government, Presidency of the Republic, Ministry of Finance, Republic PIO Fund, DDOR insurance, Postal Savings Bank, Pharmacy Užice, and the users of Telus Pro: “Elektromreža Srbije”, the City of Pančevo, the Ministry of the Interior, EPS Technical Center Kraljevo, etc.

#### 4.6. Customer care

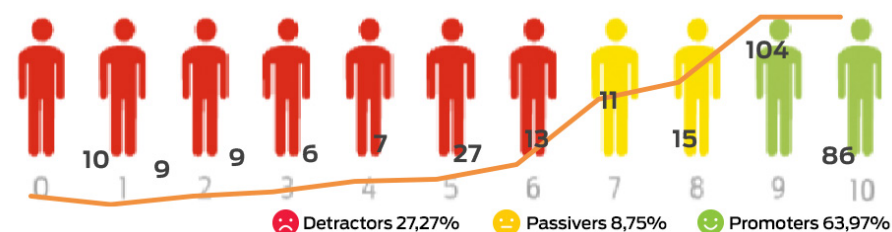
The focus of Telekom Srbija Group is having satisfied customers as one of the key elements of the company’s success. In compliance therewith, the sales divisions have continuously measured customer satisfaction by using different methods.

Net Promoter Score (NPS) is a basis metrics used in Customer experience. NPS can measure customer loyalty in a certain company. The measuring of customer experience is based on a single question: How likely is that you recommend the company to your friends and colleagues?

Based on the answer given, users are classified in one of the 3 groups:

-  **DETRACTORS** - are not satisfied, will not come again to buy and may influence other buyers not to buy in our stores or to go to a competitor company.
-  **PASSIVERS** - satisfied with the service, but not that much to be promoters;
-  **PROMOTERS** - loyal, enthusiastic buyers

#### Results of the analysis of customer satisfaction in business customers of Telekom Srbija at the end of 2020



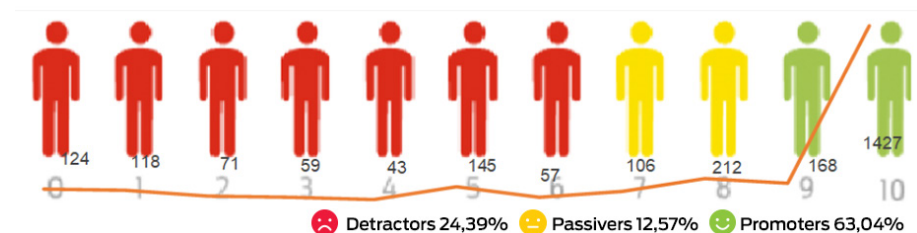
Beside the service rendered by Telekom Srbija to its own users, Telekom Srbija also offers the services of Contact Center. In the overall call structure, the notably largest number of calls were made to the Ministry of Health – around 70%.

Number of calls made to skill (number)	2019.	2020.
0800 123 123 – information and complaints	220.864	278.336
0800 123 123 – technical support and fault reporting	96.120	144.623
0800 010 010 – technical support and fault reporting	19.742	18.853
Ministry of Health	1.517.049	1.140.689
Other	16.748	13.478
<b>TOTAL</b>	<b>1.870.523</b>	<b>1.595.979</b>

Year after year, Telekom Srbija has successfully managed the complaints received, reducing the average response time and the total number of incidents and complaints:

Monitoring customer satisfaction level	2019.	2020.
<b>Customer satisfaction survey results</b>	<b>3,73</b>	<b>3,54</b>
<b>Net Promoter Score (NPS)</b>	<b>41,34%</b>	<b>36,70%</b>
Total number of complaints annually	10.653	10.221
% of complaints versus the total number of invoices	0,46%	0,44%
Rate of successfully resolved complaints	8.211	8.197
Total number of incidents annually	73.564	65.809
Average time to resolve a complaint[hh:mm:ss]	47:22:02	35:39:16
Number of calls to contact centres	1.870.523	1.595.979
Total number of processed e-mails	305.509	338.942

## Results of the analysis of customer satisfaction in private customers of Telekom Srbija at the end of 2020



Questionnaire results (1-5 rating)	2019.	2020.
<b>Net Promoter Score (NPS)</b>	<b>36,62%</b>	<b>38,66%</b>
Telekom's customer relations regarding the Internet	3,80	3,40
Service quality of Telekom's call centre regarding the Internet	3,72	4,36
Telekom's customer relations regarding the fixed telephony	3,99	4,46
Professionalism of Telekom's customer care department regarding the fixed telephony	4,14	4,60
Telekom's customer relations regarding the mobile telephony	3,94	4,06
Telekom's customer relations regarding mts TV.	3,90	3,36
Service quality of Telekom's call centra regarding mts TV	4,03	3,68
Quality of fixed telephony bill items, visually	4,45	4,30
Telekom's call centre service quality regarding the mobile telephony	3,74	3,92

## Results of the analysis of customer satisfaction– Mtel Banja Luka

A high level of resolved complaints shows a high level of quality of the system, compliance with guarantee terms towards customers and excellent cooperation with the authorized services.

Questionnaire results (1-5 rating)	2019.	2020.
Total number of complaints on a yearly basis	22.723	21.076
Success rate of resolved complaints	77,00%	90,00%
Number of calls made in the contact centre	3.167.025	3.171.800
Number of calls made in the contact centre - attended to	2.465.129	2.303.413

## Customer care – Moja Supernova

For the purpose of maintaining customer satisfaction, the contact centre conducted the activities during 2020 on increasing the quality of work of the agents, which is primarily reflected in a constant monitoring of the quality of communication with a customer and work within the integrated ITC solution. Based on the received monitoring parameters, training courses were organized with different topics, followed by a final evaluation of the agent work.

Likewise, a need arose in 2020 to increase the resources held by the contact centre so that a new category of agent was introduced– “multi field“ agents with greater experience, who were supposed to work on all channels of communication, from telephone calls, through mail communication, to communication via social networks, all for the purpose of maintaining the level of satisfied users of the Supernova brand.

A novelty introduced in the work of the contact centre in 2020 was the upgraded IVR with the “self-care“ aspect. The customers were given a possibility of activating suspended services “payment upon assurance“, which would mean that the customers were able to register the payments via telephone, whereafter they would get their suspended services back reactivated without waiting for the payment to be booked through our systems. This innovation was mostly welcome by the users because it provided a simple and efficient solution of the above-mentioned situations.

The campaigns which included checking customer satisfaction

- Checking the installations for new customers
- Checking the installations for the existing customers which are to be connected to add-on services, services or equipment

Measuring customer satisfaction when checking the resolved technical complaints commenced in late 2020 through the SMS surveys used for checking customer satisfaction:

1. Speed of complaint management
2. Professionality of technicians
3. NPS parameter.





# 05

There where you are  
recognizing the  
highest standards in  
telecommunication services



## Investment in the future

Fiber Optics constructed for  
**887.000**  
users

A total of  
**28.825 km**  
of the cable laid



Investment results  
in Serbia until 2020,  
inclusive

Number of connections  
in digital exchanges  
**1,9 million**

Total number of  
base stations  
**2.780**

Around  
**1,5 million km**  
of optical fibers laid



Population coverage  
by the GSM network signal  
**99,18%**

Population coverage  
by the LTE network signal  
**98,09%**



Telekom Srbija Group made significant investments for the purpose of achieving business success in all the segments of its operation by introducing new and improving the existing services, strengthening the market position, retaining the existing and winning new customers, and through the growth in own sales in the segment of provision of the multimedia services and internet.

#### Investments in Telekom Srbija Group per member (in thousand RSD)

	2019.	2020.	Growth rate	Structure
Telekom Srbija	53.279.720	25.212.592	-53%	44,7%
Mtel Banja Luka	10.715.574	7.749.999	-28%	13,7%
Mtel Podgorica	5.650.295	4.078.110	-28%	7,2%
mts d.o.o	122.308	120.633	-1%	0,2%
Mtel Global	2.509.801	113.041	-95%	0,2%
Arena Channels Group	14.733	447.725	2939%	0,8%
mts banka	12.542	3.621	-71%	0,0%
Telus	8.715	1.903	-78%	0,0%
Yunet	20.666	34.761	68%	0,1%
Exe net*	702.527			
Moja Supernova	2.439.098	18.660.176	-25%	33,1%
<b>Total:</b>	<b>75.475.979</b>	<b>56.422.561</b>	<b>-25%</b>	<b>100,0%</b>

\*During 2020. Exe net was integrated into Moja Supernova.

### 5.1. Telekom Srbija

The total investments in 2020 amount to 25.2 billion dinars and they mostly refer to the investments in the segment of production and distribution of the multimedia content, fixed telephony, mobile telephony and internet.

In the segment of fixed telephony, Telekom Srbija continued investments during 2020 in the ALL IP Transformation Project as the most significant project and biggest investment ever in the information and communication infrastructure since the date the company was established.

Further investments in ALL IP Project are aimed at continuing the expansion of optical network and migration of customers to the upgraded optical IP network. The customers are offered a broadband access of up to 1Gb/s, whereby Telekom Srbija creates a basis for maintaining its leader position on the market of fixed telephony and internet, and customers are able to use the internet and multimedia content with a notably improved quality.

Likewise, for the purposes of modernization and expansion of the access network capacities and expansion of the optical network, some bit investments were

made in the cable infrastructure and cable ducts, and the fixed network access devices in the areas not covered by the ALL IP project, which made it possible for the users living there to use internet and multimedia services with broadband access in higher bitrates.

The investments in the segment of multimedia services continued with the aim of retaining the existing and attracting new customers, not only by offering individual TV services, but also BOX packages, which, along with numerous live TV channels, content on demand and additional, advanced functionalities, production of multimedia content and investments in TV series, guarantee a leading position on the market.

The investments in mobile telephony also continued mostly in the expansion, upgrade, modernization and optimization of RAN mobile network, aimed at increasing the territorial coverage by 4G/LTE technology and a high percentage of population coverage which was 98,99% at the end of 2020. Said investments had direct influence on the end users' satisfaction with the services rendered with respect to the quality of signal, faster mobile internet, better LTE coverage, based on which we came to the first place according to RATEL's official comparative measurement studies on the quality of mobile operator networks for two successive years, which means that Telekom Srbija was again declared as the operator offering the best quality in all segments (transmission of voice, data, video content).

With the aim of providing support to traffic increase, increase in the number of the access network elements and providing capacities for all future network and user demands, the investments in the field of internet were again directed to continued modernization of the transport network and service platforms. The investments in the transport network were mainly directed to intensive introduction of the 100Gb/s links to support the highly growing traffic, further development and expansion of OTN/DWDM and the wireless, transport network, as well as in modernization of the IP/MPLS network. The investments in service platforms mostly refer to the expansion and upgrade of the multimedia platform, which, along with the procurement of user equipment, help increase the number of TV channels and number of users having access to the higher-quality multimedia content and services.

Certain projects that were also implemented were not demanding in terms of investment, but they resulted in a significant upgrade to services or processes, such as the implementation of eSIM platform, which simplified the activation of mobile services on the customer side. This technology was supported on a growing number of user devices and will gradually lead to abandoning physical SIM cards and shifting to its "electronic" version stored in the chip of the device. The biggest investments in IT in 2020 refer to the support to continued transformation

of the company through digitalization of internal business processes, transformation of Operations & Business Support System, the projects of the next CRM phase and Order Management, and upgrade of the omnichannel support through expansion of the SAP Hybris platforms on B2C domain in order to provide more quality support to sales channels and place focus on digital channels.

The standardization of operations by introducing SAP ERP in the domain of HR management as a basis for further support to business reporting and management of corporate resources. On the other hand, investments were made in the development of Big Data initiatives, such as DWH and BI analytical tools and harmonization of business with the regulatory framework through the implementation of MSFI 16 standard and GDPR requirements. Besides, some investments were directed to the support to innovations through new business models and sources of revenues in cooperation with the business ecosystem (Cloud platform, API management, IoT platform), and investments in more efficient management of infrastructure, improvement of internal cloud and hybrid cloud, introduction of cloud native architecture and continued development of Telco cloud platform for the needs of NFV initiatives. Simultaneously, investments were made to reduce the risks through upgrading IT security and establishing the SoC platforms and processes.

### **Influence on the suppliers and construction companies in Serbia**

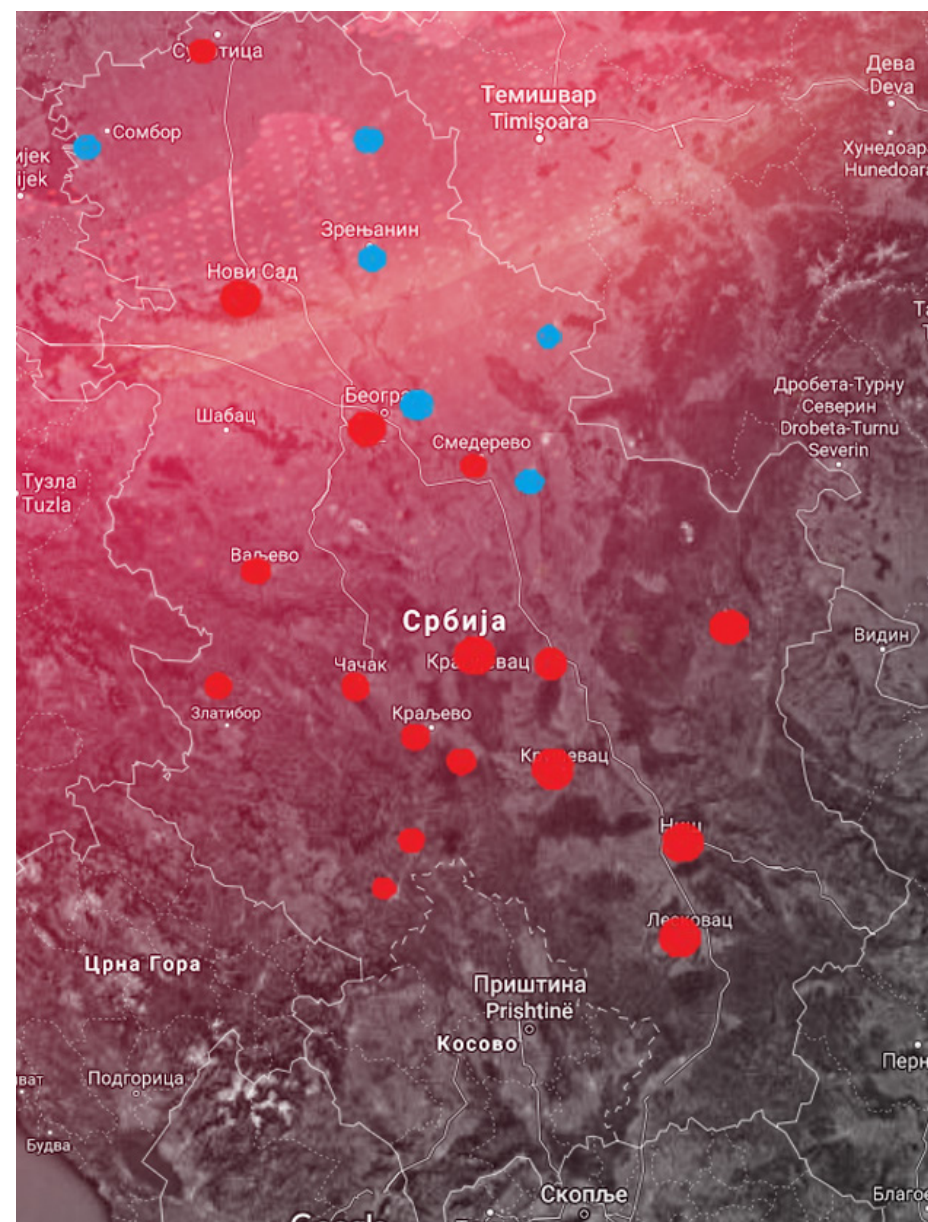
By the All IP project, Telekom Srbija contributes to the development of an important segment of the national economy by hiring more than 50 companies with several thousand employees working on the design and construction of the access network and engaging over 30 local companies in the production of the accompanying equipment and elements of the optical network.

The figure below shows the network areas on which the optical network was already implemented by two main contractors NSN and Huawei and a large number of local subcontractors.

The share of local suppliers in supply chain in 2019 and 2020 was 96%. The Company Procurement Policy envisages the principle of environmental protection and energy efficiency as one of the underlying principles, which implies procurement of goods, services and works that are not polluting, i.e. have minimum impact on the environment, which provides for adequate reduction in energy consumption— energy efficiency. For example, in case of certain procurements, the suppliers are requested to document the compliance with the targeted requirements of environmental management.

Supplier ranking is one of the goals of the continuous process of monitoring of supplier performances that is regulated by a special procedure on the Company level.

**Territorial distribution of investments in ALL IP as at 31 December 2020**



## 5.2. Mtel Banja Luka

The total investments of Mtel Banja Luka in 2020 amounted to 7.7 billion dinars, which is 28% lower than in 2019. The share of technical investments is 77.4% and the infrastructure investments account for 22.6% of the total investments. The biggest investments in 2020 were made in the segment of construction of the wireless, cable and transport network, procurement of user and access equipment and upgrades and expansions of capacities in the functionalities of the switching systems and service platforms.

As far as modernization and upgrade of the mobile access network are concerned, the activities were primarily directed to the expansion and development of the radio-access LTE 4G network on the existing locations and the construction of new locations for the purpose of fulfilling the requirements of the Regulatory Agency for Communications (RAK) and providing the customers with a more quality 4G service with respect to coverage and capacities. A total of 43 macro base stations were put into operation and the total number of base stations at the end 2020 was 1,575 and 127 Pico repeaters.

During 2020, investments continued in the access equipment MSAN/ISAM/DSLAM/OLT mostly referring to the procurement and installation of access equipment in GPON and VDSL2 technology with a vectoring function for the users who have the conditions for the FTTH access. The investments were directed to the construction of the fibre-optic access network using GPON access technology and to the migration of customers to FTTH, as well as to continued decentralization and reconstruction of the copper access networks with the aim of shortening the subscriber loop, and finally, on the procurement of terminal equipment for business and private customers (STB, IAD, ONT, DTH, LTE terminal equipment, ISDN gateway and other terminal equipment).

Activities continued on the optimization of fixed Backhauling, primarily including IP transformation in the fixed access network, protection of traffic /services on the level of the connecting lead, additional works and improvement in the application for Backhauling and optimization of the local and regional SDH optical transmission systems.

As for the mobile telephony switching systems in 2020, a regular, software upgrade was made for voice transmission (CS Core), and in the domain of the switching systems for data transfer (PS Core) the system capacities were expanded so as to support the growth in the mobile internet traffic in the future years and enable smooth use of LTE technology and increased mobile Internet traffic during the pandemic. Restructuring and modernization continued in the core of the fixed, switching network in the security of services by introducing ge-

oredundancy on all interfaces of IMS system and migrating the complete fixed telephony service to IMS platform and AGCF functionality, to finally dismantle other switching systems of the fixed telephony.

As regards LoRaWAN technology in IoT domain, projects were implemented on the construction of systems based on LoRaWAN technology, which enable further development of IoT Smart City solution: construction of LoRa WAN Core system, i.e. network server and construction of a System for surveillance of telecommunications shafts. The upgrade of mGo systems and applications also continued.

During 2020, in the domains of IPTV, CDN and HEADEND all software upgrades were made in order to provide reliable functioning of the complete ecosystem, and regular expansions of the integral system for the distribution of multimedia content were carried out. It is important to underline the expansion of mPay system with a special focus on the payment of all bills via payment cards and prepaid credit top-up.

As for the IT domain, Mtel Banja Luka achieved significant results in improving the communication with users via digital channels and improving the management of business processes after it successfully completed a series of activities on the internal development concerning standardization and upgrade of business processes

## 5.3. Mtel Pogorica

The total investments of Mtel Podgorica in 2020 amounted to 4 billion dinars, which is 28% lower than in 2019.

The investments were directed to the development of cable infrastructure with the aim of securing maximum coverage of territory and population with fixed services. It was the biggest project in Mtel Podgorica which commenced in 2015, and in the 2016-2020 period, the combine construction of HFC and GPON of cable network continued to cover all the municipalities in Montenegro. The network was developed mostly above-ground, on the poles owned by CEDIS (Electricity Distribution System of Montenegro) and the poles of public lighting system, in the cable ducts of Mtel Podgorica and Montenegro Telekom. These investments enabled a comparative advantage over the competitor companies. Focus was placed on the development of GPON cable infrastructure, particularly in suburban zones. The scope of the network construction was reduced and the network was modernized to some extent. Works were performed on the expansion of the existing cable infrastructure in the towns with developed cable infrastructure and on the implementation of the GPON network.



The expansion of 4G network continued to be competitive with other operators and new 2G/3G network locations were constructed. Investments were made in the increase in capacities in the Core and RAN part of the network, and additional hardware and software upgrade of the system for the packet-switched traffic PS Core.

The equipment was installed on DRS location Nikšić (Disaster Recovery Site). Thus, the regulatory obligation related to the security of networks and electronic communications services was fulfilled and, at the same time, the network upgrades were continued so that the BCDR plan (Business Continuity Disaster Recovery) could be fully implemented. Investments were also made in the management and switching system of the mobile network and the system for mobile positioning of MPS.

The investments in the platforms for supporting business processes were finalized in terms of replacement of Microsoft Navision ERP platform with SAP and introduction of IBM Netezza DWH platform. The introduction of new Billing, ERP and DWH platforms will enable a more quality process of reporting and more flexible creation of new tariff packages with the aim of increasing the revenues of Mtel Podgorica.

## 5.4. Other members

### Arena Channels Group

The total investments amount to 447.7 million dinars. They mostly refer to technical investments in the amount of 407.6 million dinars, intended for the launching of a new TV channel - Euronews. The investments are higher by 433 million dinars compared to the last year.

The investments in IT in the amount of 31.9 million dinars cover the investments in the devices for transmission of a TV signal for new channels which commenced broadcasting in 2020. (Arena Fight, Arena 1x2) and investments in computer equipment. The investments in logistic support to the company refer to the procurement of 3 passenger vehicles with the value of 8.2 million dinars.

### Mtel Global

The investments made in 2020 amount to 113 million dinars and refer to the IT investments (58.1 million dinars), technical investments (37.6 million dinars) and investments in the logistic support to the company (17.3 million dinars).

### Yunet International

The investments made during 2020 amount to 34.8 million dinars and mainly refer to the investments in the IT infrastructure (29 million dinars). The

investments are higher by 14 million dinars i.e. 68%. In 2020, a new Cloud platform was created in the Open Stack technology which is internally developed which would later be the place for migration of the existing public cloud services and the place where the customers could experience new services, such as, private hybrid cloud and other services offered within such solution.

Two IoT projects were launched, one of which is in the field of agriculture (monitoring the parameters of soil for the clients of Zobnatica), and the other is intended for monitoring the parameters in the logistic centre for the storage of pharmaceutical goods.

The project of upgrading the existing billing and CRM system was initiated again. The portal [www.yunet.rs](http://www.yunet.rs) was redesigned with a new structure and new theme. There is a plan for an additional integration of the portal with CRM, to obtain additional automation of purchase process through the portal itself

### mts banka

The investments made amount to 3.6 million dinars and the mostly refer to the investments in computer network (3.2 million dinars). Compared to the last year, the investments are lower by 9 million dinars or 71%.

### Telus

The total investments amount to 1.9 million dinars and mostly refer to the procurement of machines for hygiene maintenance. Compared to the last year, the investments are lower 6.8 million dinars, i.e. 78%.

### Moja Supernova

The investments made during 2020 by subsidiary Moja Supernova amount to 18.7 billion dinars and they mostly refer to the investments in user equipment, base stations and capitalized TV rights.

### mts d.o.o.

The investments made during 2020 by subsidiary mts doo amount to 120.6 million dinars and they mostly refer to the investments in cable infrastructure, user equipment and investments in real estate and land. They are slightly lower compared to the last year – by 1.7 million dinars, i.e. 1.4%.

The biggest investments were made in the cable infrastructure (decentralization of the access network) and the transport network. A large portion of the investments was directed to service platforms – construction of KDS DC for the needs of modernization of the acquired cable operators.

A man in a light-colored blazer and dark trousers is running up a set of wide concrete steps. He is captured in a dynamic pose, leaning forward with his arms pumping. The background is a light-colored wall with a grid of small circular indentations. The entire image has a red gradient overlay, particularly prominent on the right side and bottom.

# 06

**There where you are  
an inspiration for  
responsible business  
conduct of our companies**

## Employee as a Partner

The aim of the survey was to identify the most coveted employer in different industry categories and the most desirable youth internship program carried out by companies. Telekom Srbija positions high in both categories:

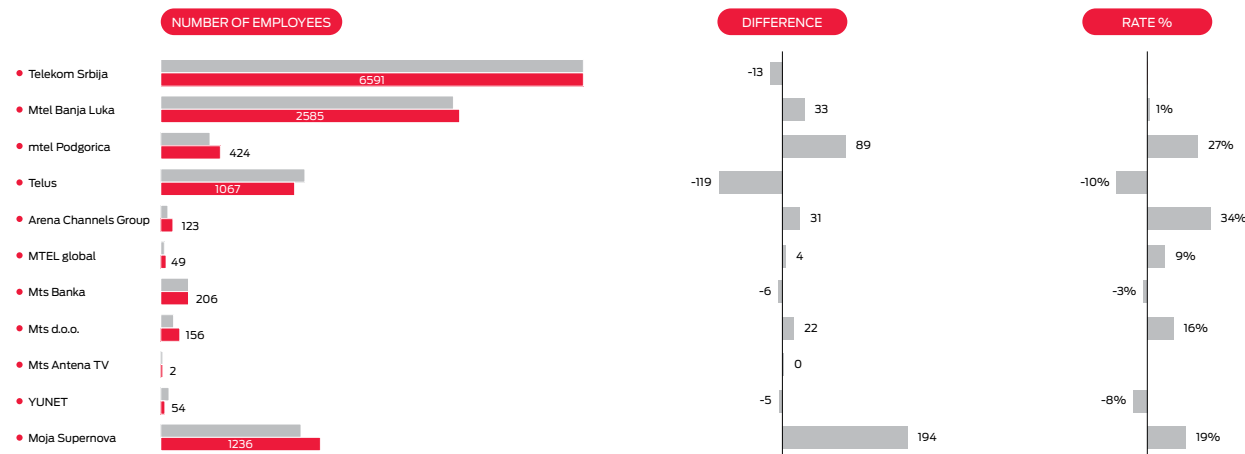
- In the Favourite Mobile Network category, mts brand won first place.
- In the Most Desirable IT Employer category, Telekom Srbija won third place.

According to the results of Talent X, an extensive survey (10,413 respondents) traditionally conducted by the portal Poslovi Infostud, Telekom Srbija is among the 20 most desirable employers in our country for 2020. Brand research of national employers.

In cooperation with The Employer Branding Agency, Belgrade Youth Fair conducted a large survey in the segments of Employer Branding and favourite brands on a representative sample of the younger population (aged 18-30) during 2020.



## Number and movement of Telekom Srbija Group employees 2019/2020.



### Note:

The total number of employees does not include the number of employees forwarded from Telekom Srbija to subsidiaries, which amounts to 120. This number is shown within numbers for the companies to which employees are sent.

## Educational and age structure

Age structure	<30	30-39	40-49	50-59	59<	TOTAL
Telekom Srbija Grupa	6%	17%	36%	36%	5%	12,493
• Telekom Srbija	2%	10%	38%	44%	6%	6,591
• Mtel Banja Luka	9%	21%	37%	28%	5%	2,585
• Telus		7%	39%	47%	7%	1,607
• Moja Supernova	26%	39%	24%	10%	1%	1,236
• Mtel Podgorica	12%	42%	34%	9%	3%	424
• mts banka	7%	30%	28%	21%	14%	206
• Arena Channels Group	9%	54%	31%	6%		123
• mts D.O.O.	10%	22%	19%	43%	6%	156
• YuNet	9%	13%	67%	9%	2%	54
• Mtel Global	14%	35%	43%	8%		49
• mts Antena TV				100%		2

Educational structure	unqual./semi-qualified	secondary school / highly qualified	college degree	university degree	TOTAL
Telekom Srbija Grupa	11%	50%	8%	31%	12,493
• Telekom Srbija	9%	45%	10%	36%	6,591
• Mtel Banja Luka	2%	57%	4%	37%	2,585
• Telus	63%	34%	1%	2%	1,607
• Moja Supernova	4%	81%	6%	9%	1,236
• Mtel Podgorica	5%	56%	8%	31%	424
• mts banka		31%	12%	57%	206
• Arena Channels Group		38%	17%	47%	123
• mts D.O.O.	8%	71%	7%	14%	156
• YuNet	4%	46%	20%	30%	54
• Mtel Global		39%		31%	49
• mts Antena TV			50%	50%	2



A woman with glasses and a red shirt is looking upwards in a modern office setting. The background is blurred, showing other people and office furniture. The image has a red tint.

# 07

There where you are  
familiar with the balance  
sheet of our company

# Financial Results

## 7.1. Consolidated Statements of Telekom Srbija Group

### Income Statement of Telekom Srbija Group

in million dinars	2019.	2020.	Growth rate
<b>Operating revenues</b>	<b>133.678</b>	<b>138.061</b>	<b>3,3%</b>
<b>Operating expenditures</b>	<b>126.817</b>	<b>128.699</b>	<b>1,5%</b>
<b>EBIT</b>	<b>6.861</b>	<b>9.362</b>	<b>36,5%</b>
EBIT margin	5,1%	6,8%	-
<b>EBITDA</b>	<b>48.353</b>	<b>49.387</b>	<b>2,1%</b>
EBITDA margin	36,2%	35,8%	-
Financial expenditures, net	-1.857	-3.419	-
Profit tax, net	-2.538	-1.783	-29,7%
<b>Net profit</b>	<b>2.466</b>	<b>4.160</b>	<b>68,7%</b>
Net profit margin	1,8%	3,0%	-

Operating revenues increased by 4.4 billion dinars compared to last year. The most significant is the growth of multimedia revenues, amounting to 4 billion dinars. Operating expenses increased by 1.9 billion dinars compared to last year. Net profit amounts to 4.2 billion dinars (it is higher by 69%) with a rate of 3.0%.

### Balance Sheet of Telekom Srbija Group

in million dinars	31.12.2019.	31.12.2020.	Growth rate
Non-current assets	364.362	381.369	4,7%
Current assets	66.083	74.315	12,5%
<b>Total assets</b>	<b>430.445</b>	<b>455.684</b>	<b>5,9%</b>
Capital	170.491	171.423	0,5%
Long-term liabilities	151.489	168.879	11,5%
Current liabilities	108.465	115.382	6,4%
<b>Total liabilities</b>	<b>430.445</b>	<b>455.684</b>	<b>5,9%</b>

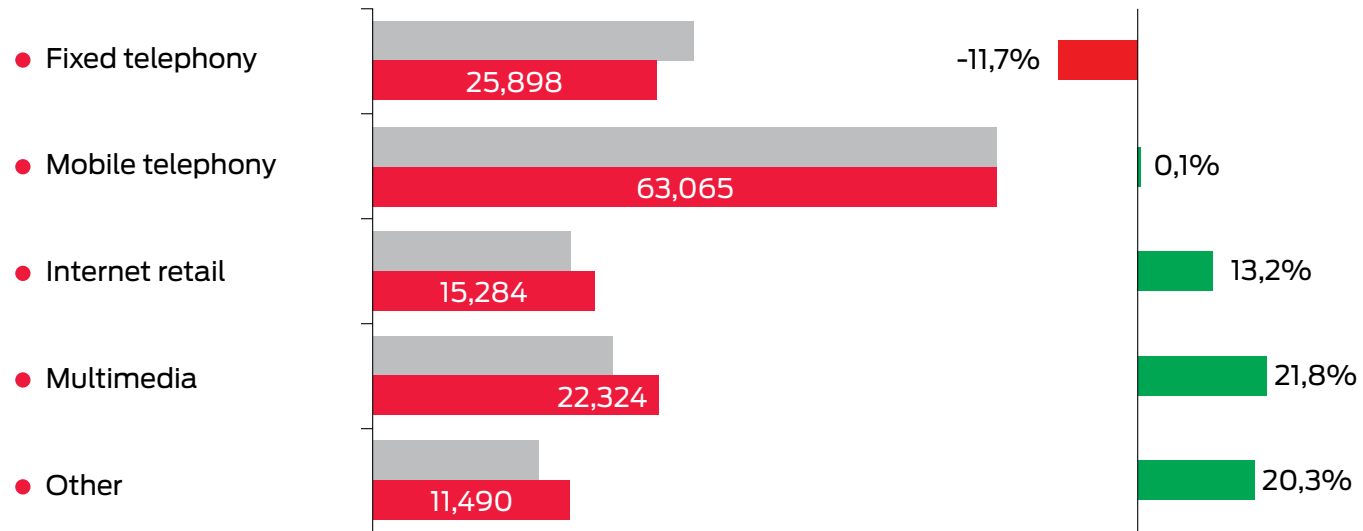
### Cash Flows of Telekom Srbija Group

in million dinars	31.12.2019.	31.12.2020.	Growth rate
<b>Profit before taxation</b>	<b>5.004</b>	<b>5.943</b>	<b>18,8%</b>
Reconciling profits with non-cash flows	30.266	32.447	7,2%
<b>Net cash-in from business activities</b>	<b>35.270</b>	<b>38.390</b>	<b>8,8%</b>
<b>Net cash-out from investments</b>	<b>-64.269</b>	<b>-50.276</b>	<b>-21,8%</b>
<b>Net cash-in from financing activities</b>	<b>21.890</b>	<b>11.336</b>	<b>-48,2%</b>
Net outflow of cash and cash equivalents	-7.109	-550	-
Cash and cash equivalents at the beginning of the year	15.832	8.723	-44,9%
<b>Cash and cash equivalents at the end of the year</b>	<b>8.723</b>	<b>8.173</b>	<b>-6,3%</b>

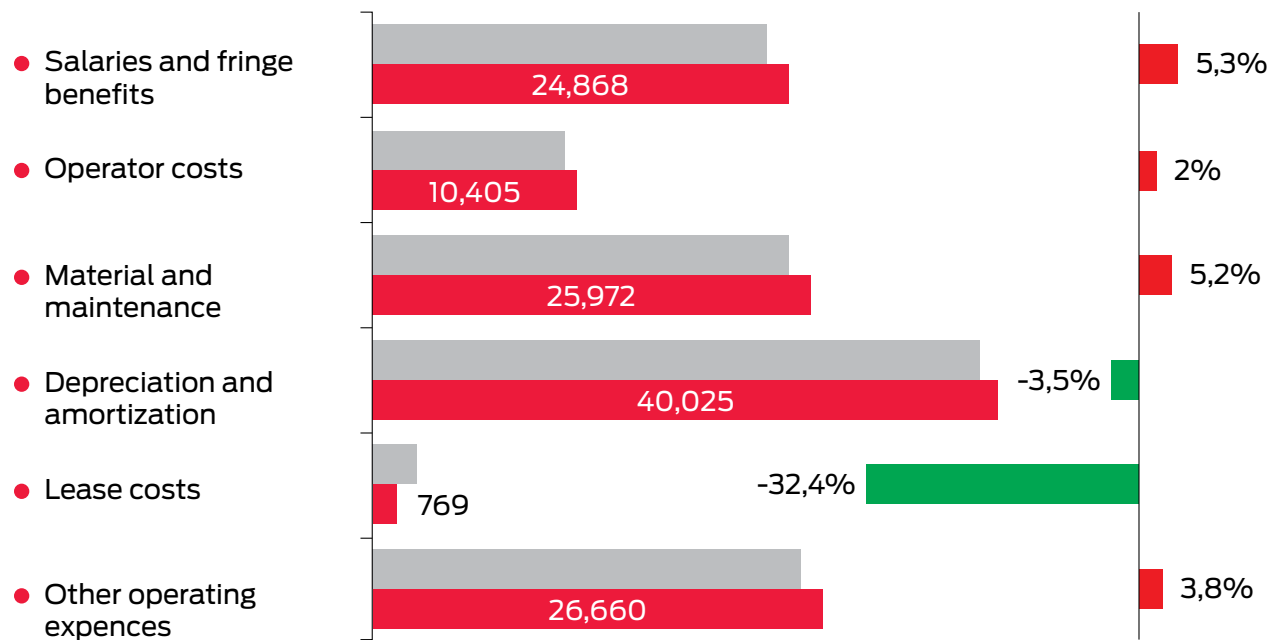
### Ratio Analysis of Telekom Srbija Group

in million dinars	31.12.2019.	31.12.2020.	Growth rate
Total debt	144.230	168.271	16,7%
Net debt	135.507	160.098	18,1%
Net debt/EBITDA	2,80	3,2	-
Total liabilities/EBITDA	4,66	5,1	-
Debt ratio	44,3%	48,3%	-
Quick ratio	0,51	0,50	-

Structure of operating revenues (in mil. din.)



Structure of operating expenses (in mil.din.)



## 7.2. Financial statements of the Parent Company

### Income statement of Telekom Srbija

in million dinars	2019.	2020.	Growth rate
Operating revenues	90.800	92.931	2,3%
Operating expenditures	85.672	85.069	-0,7%
EBIT	5.128	7.862	53,3%
EBIT margin	5,6%	8,5%	-
EBITDA	32.727	34.384	5,1%
EBITDA margin	36,0%	37,0%	-
Financial revenues/(expenditures), net	611	-755	-
Profit tax, net	-2.262	-1.598	-29,4%
<b>Net profit</b>	<b>3.477</b>	<b>5.509</b>	<b>58,4%</b>
Net profit margin	3,8%	5,9%	-

Operating revenues increased by 2.1 billion dinars compared to last year. The most significant is the growth of multimedia revenue. In relation to the comparative period, multimedia revenues are higher by 1.4 billion dinars.

Operating expenses decreased by 603 million dinars in comparison to last year.

### Balance sheet of Telekom Srbija

in million dinars	31.12.2019.	31.12.2020.	Growth rate
Non-current assets	285.210	291.368	2,2%
Current assets	38.868	43.238	11,2%
<b>Total assets</b>	<b>324.078</b>	<b>334.606</b>	<b>3,2%</b>
Capital	145.159	148.603	2,4%
Long-term liabilities	114.337	125.779	10,0%
Current liabilities	64.582	60.224	-6,7%
<b>Total liabilities</b>	<b>324.078</b>	<b>334.606</b>	<b>3,2%</b>

### Cash flows of Telekom Srbija

in million dinars	31.12.2019.	31.12.2020.	Growth rate
Profit before taxation	5.739	7.107	23,8%
Reconciling profits with non-cash flows	21.992	25.264	14,9%
<b>Net cash-in from business activities</b>	<b>27.731</b>	<b>32.371</b>	<b>16,7%</b>
<b>Net cash-out from investments</b>	<b>-51.534</b>	<b>-41.014</b>	<b>-20,4%</b>
<b>Net cash-in from financing activities</b>	<b>17.779</b>	<b>8.554</b>	<b>-51,9%</b>
Net outflow of cash and cash equivalents	-6.024	-89	-
Cash and cash equivalents at the beginning of the year	8.679	2.655	-69,4%
<b>Cash and cash equivalents at the end of the year</b>	<b>2.655</b>	<b>2.566</b>	<b>-3,4%</b>

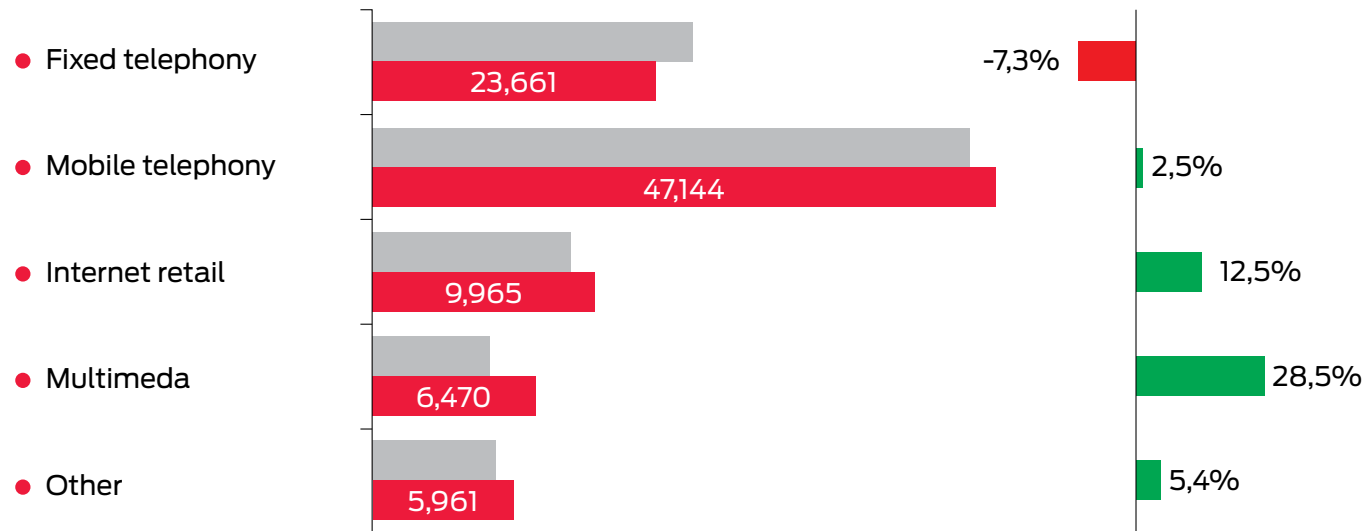
Dividends from the subsidiaries Mtel Banja Luka and Telus amounted to 2.33 billion dinars and 38 million dinars, respectively.

### Ratio analysis of Telekom Srbija

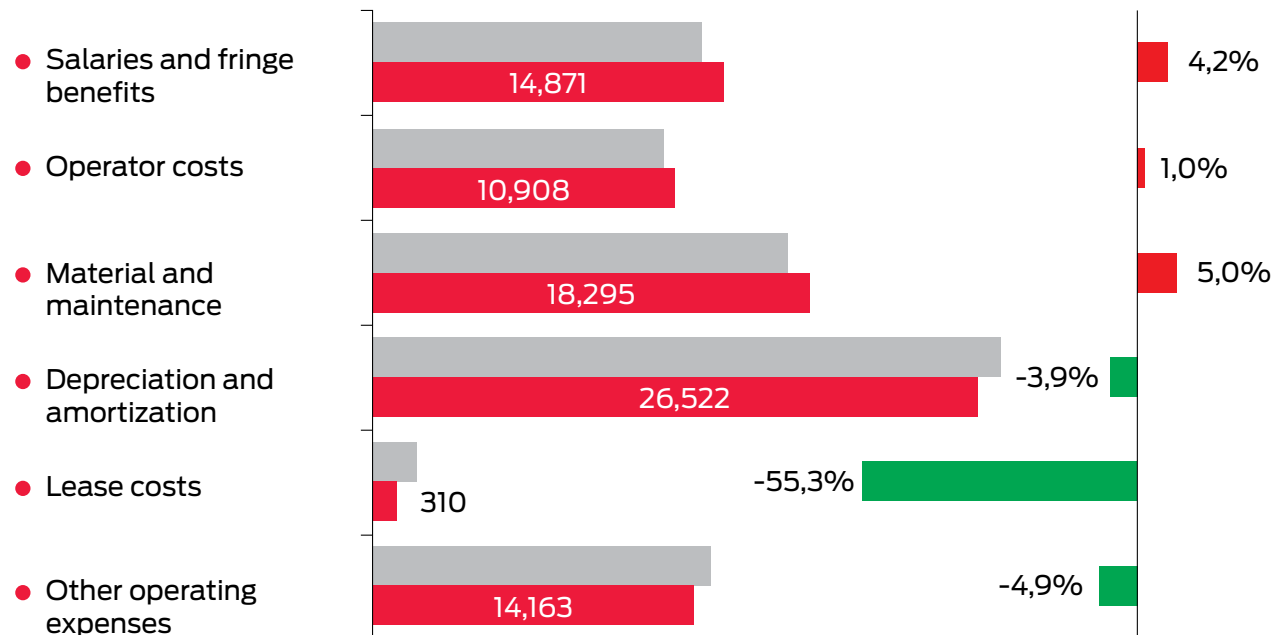
in million dinars	31.12.2019.	31.12.2020.	Growth rate
Total debt	97.928	115.332	17,8%
Net debt	95.273	112.766	18,4%
Net debt/EBITDA	2,91	3,3	-
Total liabilities/EBITDA	4,61	4,7	-
Debt ratio	39,6%	43,1%	-
Quick ratio	0,54	0,64	-



Structure of operating revenues (in mil. din.)



Structure of operating expenses (in mil.din.)



# 08



There where you are  
recognizing a good strategy  
for risk management

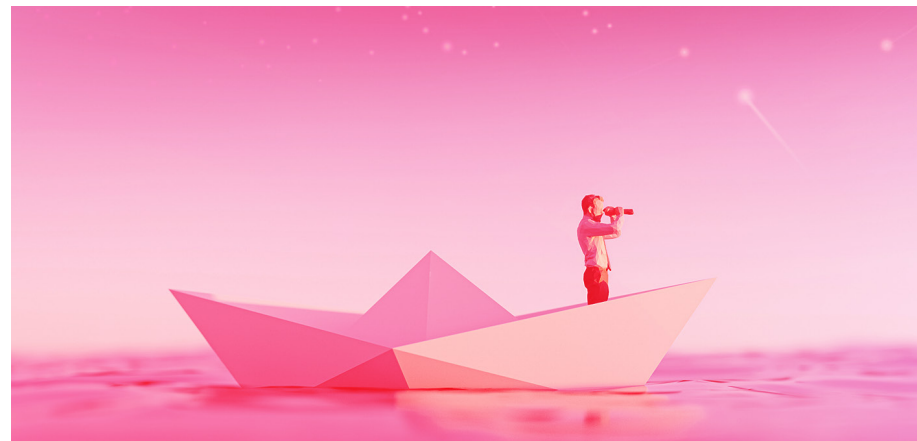
# Risk Management

At the level of the Telekom Srbija Group, a risk management process is constantly under development, providing an overview of all key internal and external factors and elements that enable human, financial and other resources to be focused on identifying opportunities and defining risks.

It is essential to continuously monitor developments in the micro and macro market, as well as changes in the internal environment in order to take a proactive approach to seize projected opportunities and avoid dangers.

The risks are considered throughout the year so assets and operations of the Telekom Srbija Group would not be endangered. Telekom Srbija Group monitors all legal regulations and bylaws that govern operations and it adjusts company bylaws to comply with amendments to regulations. Applying its many years of experience, Telekom Srbija Group has built a reputation as a reliable partner that efficiently responds to customer requirements.

Each of the subsidiaries within the Telekom Srbija Group is exposed to specific risk types, and as a consequence they individually approach the risk management process.



## Telekom Srbija

The Company strives to establish an Integrated Risk Management System in order to establish a unified framework to assign the risk profile to an acceptable level of risk exposure, i.e. the risk level that the Company is willing to take, in accordance with the Business Process Management Methodology, accounting policies, financial policies and other acts adopted by the corporate bodies.

The Company is exposed to certain operational and financial risks in its regular operations. Operational and financial risk management is aimed at minimizing potential negative impacts on the financial and non-financial performance of the Company in the situation of market unpredictability.

### Operational risks

Upravljanje operativnim rizicima poslovanje se sprovodi u skladu sa Procedurom Operational risk management is conducted in accordance with the Procedure for Income Loss Risk Management, which is designed taking into account relevant current standards and best global practice. The goal is to optimize the operational risk of income loss at all stages of the service delivery process.

Constant upgrades of the implemented SAP solution and development of new modules allows the Company a greater degree of process automation and a better control over operational risks.

The Company continuously manages the reputational risk.

The Company has regulated the risk management within IT security, according to the requirements of ISO standards:

- ISO 9001:2015,
- ISO 27001:2013,
- ISO/IEC 20000-1:2011,
- ISO 22301:2012,

### Financial risks

The financial risks that the Company is exposed to during regular operations are the following:

- Market risk
- Liquidity risk
- Credit risk
- Capital risk

Operational and financial risks are managed by the Company's management, which is responsible for the consistent application of adopted procedures that ensure comprehensive and preventive risk identification, risk assessment and measurement of risks to which the Company is exposed. Corporate bodies oversee the manner in which the management manages risks.

### Mtel Banja Luka

Since 2017, an integrated management system (IMS) has been established, which combines the requirements of two internationally recognized standards, for all business processes:

- ISO 9001:2015, which was realized through the Business Process Management (BPM), by continuous modelling and monitoring of business processes, which improves competitiveness and enables a better market position by increasing efficiency and effectiveness
- ISO/IEC 27001:2013 The obtained certificate confirms that the information security risk is reduced to a minimum, that better control of the information flow is achieved, as well as that the possible risks for information security are properly and timely treated

The strategy outlines the fundamental principles of management in connection to the integrated management system. The IMS Rules of Procedure define the Integrated Management System Policy.

During its regular operations, Mtel Banja Luka is exposed to the following risks:

- Market risk
- Liquidity risk
- Credit risk
- Capital risk

In 2020, Mtel Banja Luka did not enter transactions with derivative financial instruments (derivatives), such as interest rate swaps or forwards.

The management of Mtel Banja Luka believes that the exposure to the foreign exchange risk is not significant. During 2020, there was exposure to a certain risk of change in the prices of equity securities, as well as exposure to various risks that through the effects of changes in the market interest rates impact the financial position and cash flows of Mtel Banja Luka.

Liquidity management is centralized at the level of Mtel Banja Luka. Liquidity risk management is the responsibility of the management, which has established certain procedures regarding long-term and short-term liquidity risk.

Mtel Banja Luka is exposed to credit risk to a limited extent. Insurance against credit risk was established by taking certain measures and activities at the company level.

The aim of capital risk management is to maintain the company's ability to continue its operations for an indefinite period in the foreseeable future, in order to preserve the optimal capital structure for the purpose of reducing capital costs and providing dividends to shareholders.

### Logosoft

During 2020, the ISO certificate was introduced, namely ISO 9001:2015 for the quality management system, based on which the position of the regional leader in the field of information security and service management was confirmed. There are ongoing intensive preparations for the introduction of ISO standard 22301:2019 for the business continuity management system. In addition to these, the Company has:

- ISO: SO/IEC 27001: 2013
- ISO/IEC 20000-1: 2011

### Mtel Podgorica

In its regular operations, the company is exposed to certain risks to different extents:

- Market risk
- Liquidity risk
- Credit risk
- Capital risk

Risk management is aimed at minimizing potential negative impacts on the financial position and operations in a situation of unpredictability of financial markets. Risk management is defined by accounting policies, financial policies and the Company's Articles of Association, adopted by the Board of Directors.



Mtel Podgorica is not significantly exposed to the risk of changes in foreign exchange rates when operating in the country and abroad, because most business transactions are performed in EUR.

The company analyzes exposure to the interest rate risk on a dynamic basis, taking into account alternative financing and refinancing sources, especially in the case of long-term liabilities, because they represent the most significant interest-bearing position. There is an exposure to the risk of changes in the prices of services due to intense competition in all services, which should be compensated by diversifying services. The company is exposed to credit risk to a limited extent.

The Board of Directors manages capital risk by acting in individual cases to mitigate the risk and provide conditions for the continuation of the projected business concept, as well as the maximum payment of fees to founders through optimization of debts and assets balance sheet

### **MTS Banka**

MTS Banka is exposed to credit risk; liquidity risk; foreign exchange risk; operational risk, which includes exposure to legal risk, reputational risk, risk arising from the introduction of new products and services, risk arising from activities entrusted by the Bank to third parties, information systems risk and capital risk.

The Bank's Executive Board is competent and responsible for implementation of the Risk Management Strategy, Risk Management Policy and Capital Management Strategy and Plan, as well as for the adoption of procedures and methodologies governing the processes for managing individual types of risks, i.e. for identifying, measuring, monitoring and controlling risks.

The Asset/Liability Committee (ALCO committee) monitors the Bank's exposure to risks arising from the structure of its balance sheet liabilities and receivables and off-balance sheet items and proposes measures related to managing foreign exchange risk, liquidity risk and interest rate risk, and performs other tasks determined by the Bank's bylaws.

The Business Compliance Control Center is obliged to identify and assess the main compliance risks at least once a year and propose plans to manage these risks, whereupon it compiles a report and submits it to the Executive Board and the Business Monitoring Committee.

The Internal Audit Center regularly evaluates the adequacy, reliability and efficiency of the internal control systems and risk management system. Reporting on risk management and exposure is carried out by submitting the

Report on the Bank's exposure to risks to the Managing Board on a quarterly basis, and to the Executive Board, the Business Monitoring Committee and the Asset/Liability Committee on a monthly basis. External reporting on indicators used to measure exposure to risks is performed in accordance with the requirements, deadlines and forms prescribed by the National Bank of Serbia.

### **Telus**

Telus manages risks in keeping with the adopted Risk Management Strategy. Identified risks, which may have a negative impact on the realization of objectives defined by the annual and medium-term Business Plans, can be grouped into the following categories:

- Operational risks
- Legal and regulatory risks
- Financial risks
- Personnel risks

Telus has the following certificates for the purpose of risk management:

- ISO 9001:2015
- OHSAS 18001
- ISO 14001:2015
- SRPS A.L2.002

### **Yunet International**

The management has established the Integrated Management System Policy and the Information Security Policy with the process principle based on risks and opportunities. The integrated system policy is implemented according to the requirements of the standard:

- ISO 9001:2015
- ISO 14001:2015 i
- ISO 45001:2018
- ISO/IEC 27001:2013

In order to constantly comply with the requirements of the standard, the management is obliged to continuously review and improve the Integrated Management System Policy and the Information Security Policy.

09

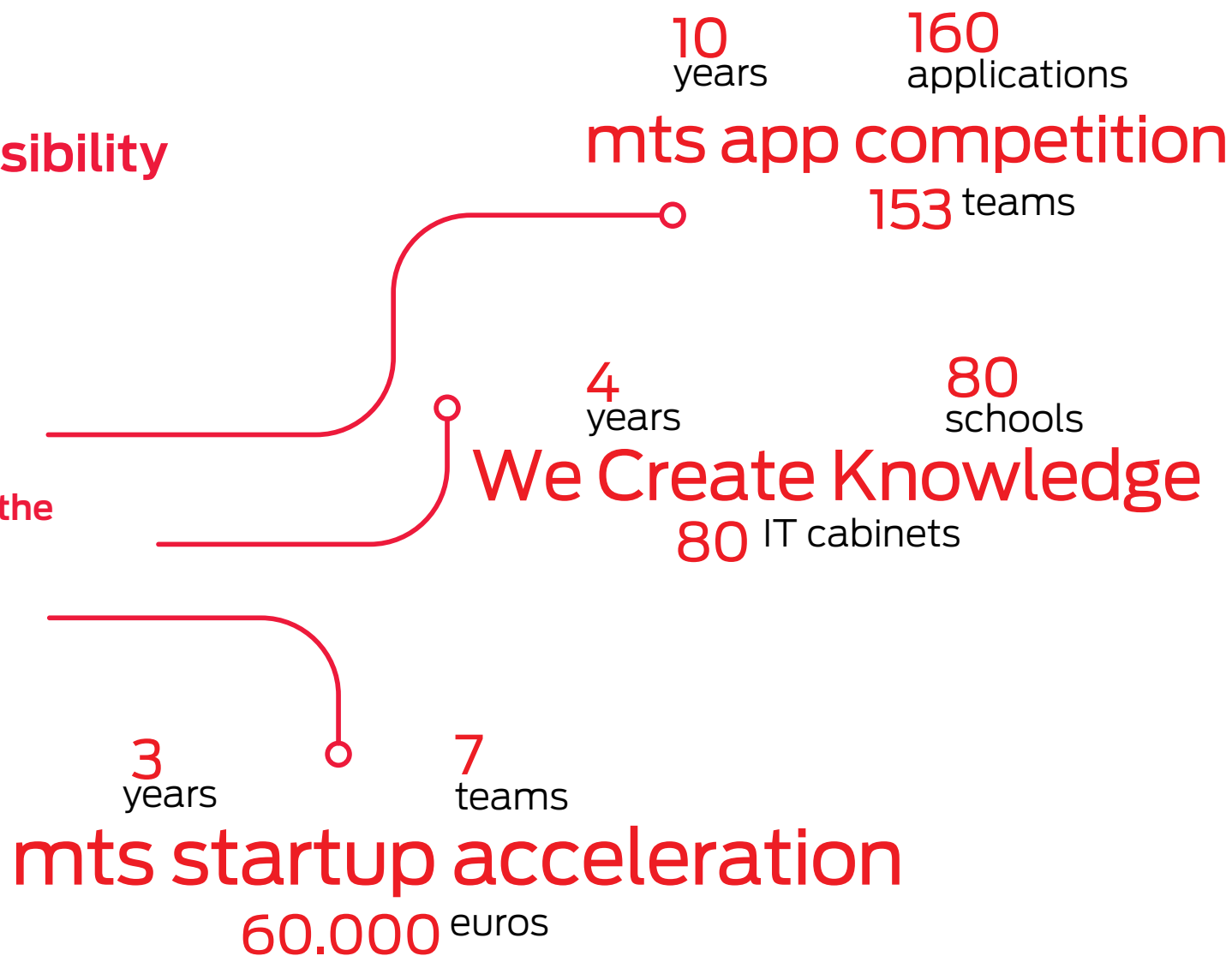
There where you are  
confident you are  
our priority



## Corporate responsibility as a permanent commitment

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We traditionally promote the  
promoters through:



Telekom Srbija's readiness for social solidarity, which expresses a general attitude of humanity, mutual assistance, understanding and reciprocity, has determined the company's direction in the era of the global corona virus epidemic. As a socially responsible company that cares about the health of employees, their families, business partners and the entire society, Telekom Srbija has adapted its business to the new situation without delay.

Specific due to the circumstances caused by the Covid-19 virus pandemic, this year was observed through the socially responsible engagement of Telekom Srbija - the year of good deeds. Telekom Srbija remained true to its commitment to continue long-term investment in the community, and in keeping with the new circumstances, key projects were implemented, and humanitarian actions were initiated in the field of health and social protection.

Support to youth and education was the focus of socially responsible activities in 2020 as well, so over 40 percent of the budget for monetary donations was directed to projects supporting youth development, while over 35 percent of the budget was allocated to support the health system, primarily in the fight against Covid 19.

The Group's activities in the field of social responsibility have been recognized by the professional and general public. Based on a research by Ipsos strategic marketing agency, Telekom Srbija was again positively assessed as a credible company, with a high reputation of socially responsible business, thus retaining a leadership role in the field of social responsibility

#### **Telekom Srbija**

- Charter for outstanding contribution during the Covid 19 virus pandemic
- Charter for exceptional contribution to the drive entitled Serbia without Barriers and the development of humanitarianism and philanthropy.

#### **Mtel Banja Luka**

- Recognition in the field of traffic safety
- Acknowledgment of the Home for Children and Youth without Parental Care Rada Vranješević Banja Luka

#### **Mtel Podgorica**

- Award for Innovation by the Montenegrin Chamber of Commerce (PKCG)

Telekom Srbija is a signatory to the UN global agreement and takes responsibly and with dedication its obligation to contribute continuously and extensively to achieve the sustainable development goals, especially the 2030 Agenda. The company plans and implements its activities in entirety keeping in mind the importance of its own impact on society and the environment.

With this membership, Telekom Srbija accepts, supports and establishes, within its sphere of influence, a number of values in the field of human rights, labor rights, environmental protection and anti-corruption policy by observing ten principles of the global agreement

1. Companies should support and respect the protection of internationally guaranteed human rights
2. Companies must not be complicit in human rights violations
3. Companies should support the right to free association and the right to collective agreements
4. Companies should eliminate forced labour
5. Companies should ban child labour
6. Companies should prohibit discrimination in employment and occupation
7. Companies need to take environmental precautions
8. Companies should take steps to promote environmental responsibility
9. Companies should encourage the development and diffusion of environmentally friendly technologies
10. Companies should be involved in the fight against every manner of corruption, including extortion and embezzlement.

The following are the key socially responsible activities of the Telekom Srbija Group, arranged per adopted goals of sustainable development for the purpose of eradicating poverty, protecting the environment and ensuring peace and prosperity for all. Global goals and sub-goals are numbered according to the adopted 2030 Agenda.

<sup>4</sup><https://www.rs.undp.org/content/serbia/sr/home/sustainable-development-goals.html>





### Target 1.5.

**Build the resilience of the poor and vulnerable by 2030 and reduce their exposure and vulnerability to climate-related extreme events, and other economic, social and environmental shocks and disasters**

During 2020, Telekom Group recognized the target group that was most affected and life-threatened during the Covid-19 pandemic. That is why it focused its humanitarian activities on caring for the elderly, for shelters, care centres for children and people of insufficient means.

Telekom Srbija provided funds for the purchase of equipment to The Children and Youth Centre Miroslav Antić Mika from Sombor.

The Association of Parents, Guardians, Children and Friends of Children Suffering from Malignant Diseases Čika Boca received support for the organization of We Can Do Anything camp, and Serbian Union of Associations Fighting Diabetes for lectures on prevention and treatment of diabetes.

Representatives of Telekom Srbija participated in the manifestation Digital Serbia Business Run 2020 and contributed to the humanitarian action for one annual student scholarship for high school students from socially endangered families, carried out through the Ana and Vlade Divac Foundation.

Mtel Banja Luka has carried out several humanitarian actions for associations and institutions caring for children and people of vulnerable categories:

- Through the campaign With Love to Brave Hearts;
- Through help to the Down Syndrome Center Banja Luka by implementing virtual educational and creative workshops;
- Through support to the association Tvoja riječ from Banja Luka; for years, this association has been organizing Autism Speaks from the Heart on the World Autism Awareness Day;
- Donations to the Association for Assistance to Mentally Underdeveloped Persons in Gradiška, for the organization of the Third International Gathering of Children with Special Needs and their Parents, and to the Association for Assistance to Persons with Autism Djeca Svjetlosti Banja Luka, for the purpose of procuring materials;
- Through handing out packages to the wards of the Home for Children and Youth without Parental Care Rada Vranješević, children residing at the Institute for Physical Medicine Dr Miroslav Zotović in Banja Luka, and the preschool institution Sveta Evgenija, carica Milica in Trebinje

Mtel Banja Luka also traditionally helps institutions such as:

- Center for Support to Families of Children and Persons with Disabilities Dajte nam šansu – Zvezdice,
- PI Center Zaštiti me,
- CA for family support,
- Mental health Zajedno Banja Luka,
- CA Education Center Tvoja riječ,
- Association of parents of children suffering from malignant diseases Iskra,
- Alliance for Rare Diseases,
- Institute for Physical Medicine and Rehabilitation Dr Miroslav Zotović and many others.

Humanitarian action My Supernova marked the end of the year by donating funds to the humanitarian foundation Budi human for all 364 users from the category of children.

The Serbian Center from Vienna organized St. Sava Ball 23 times in a row, and thanks to the sponsorship of Mtel Global the 2020 ball had a fully humanitarian character. The collected funds were used for the project For the Joy of Children, which the Serbian Center conducts in cooperation with the Eparchy of Raška and Prizren. Over 46,500 euros were collected, intended for the Čukarić family from Velika Hoča, which returned to live in Kosovo and Metohija.

During 2020, Yunet participated in the donation organized by the Hrabriš Association and the Boost Team, for children suffering from neurotransmitter diseases, dopa-responsive dystonia and other neurometabolic diseases.



### Target 3.8.

As a company with a long tradition of philanthropic activities, Telekom Srbija has provided 20 million dinars for the health system in Serbia in the initial phase of the fight against the virus.

In cooperation with the Ministry of Health, the funds were allocated to the Institute of Virology, Vaccines and Serums Torlak, the Clinic for Infectious and Tropical Diseases, Clinical Center Serbia, the Clinical Center of Niš and the Provincial Secretariat for Health in Novi Sad. The Company donated five million dinars to each of these health institutions.

Telekom Srbija continued with its activities related to regular support, donations for the purchase of necessary medical equipment: The Institute of Oncology and Radiology of Serbia, the Clinic for Endocrinology, Diabetes and Metabolic Diseases of the Clinical Center of Serbia, the Special Hospital for Psychiatric Diseases Kovin and Infirmary in Sopot.

Telekom Srbija joined the campaign of the B92 Fund and provided part of the funds for implementation of the project Campaign Against Obstacles for Persons with Disabilities. Telekom Srbija provided funds to Gea Association from Pirot for the project No Barriers, to overcome barriers for children with special needs and their inclusion in the social life of the community, and Kladovo Development Association ARK received a donation from the Company to equip its premises and procure an access ramp.

For three years now, Telekom Srbija has been assisting in the implementation of the project You are not Alone, which aims to overcome prejudices towards young people with mental health issues and towards people with disabilities. The Company also cooperates with a large number of associations dealing with health and social protection of citizens through the activation of humanitarian numbers.

Employees of Telekom Srbija and Supernova, as volunteers, helped vulnerable fellow citizens, and the Company paid special attention to more vulnerable and endangered groups through the campaign Help Them Stay at Home, which was implemented in cooperation with Supernova and the Red Communication agency.

In addition to this, Telekom Srbija and Moja Supernova enabled our fellow citizens over the age of 65 to use all services without restriction, even if they had failed to pay their bills during the state of emergency.

The company donated funds to the Belgrade Children's Shelter, as a social protection institution that provides support to the most vulnerable group of young people, to set up a disinfection tunnel in front of the entrance to the facility in order to prevent and fight the Covid-19 virus.

There are two humanitarian associations of voluntary blood donors in Telekom Srbija, which had 880 regular members, voluntary blood donors, at the end of 2020:

**Od srca (2019 - 520 members, 2020 - 460 members)**  
**U srcu (2019 - 320 members, 2020 - 391 members)**

During the previous year, Mtel Banja Luka participated both in the previous humanitarian projects and new ones and in campaigns through donations of funds and equipment or through the provision of its infrastructure and services, which was especially necessary during 2020.

Through the campaign Be Responsible and Stay Responsible, funds were given to alleviate the pandemic's consequences. In addition, all university clinical centres, and all health centres and hospitals in Republika Srpska, and the Public Health Institute, have increased access to the Internet.

Mtel Banja Luka also offered support to the City of Banja Luka, by providing funds for the purchase of fuel required to deliver medicines and necessary food to people in isolation.

Support for the Blue Phone continued - a line for providing advice and support to children and young people in difficult and crisis situations. Mtel Banja Luka joined the donation of seasonal flu vaccines.

During 2020 Mtel Podgorica has taken a number of measures and granted some

benefits to its customers, to contribute to activities within its competence being conducted as normal as possible during the pandemic, while cultivating social responsibility.

- Call Center 1616 donation enabled citizens to communicate more efficiently with experts at the Public Health Institute
- Self-care platform Moj m:tel (My m:tel). All users (of mobile and cable services) can pay their bills and top up their prepaid numbers via Moj m:tel platform in just few clicks. In addition, they can quickly and easily review the activated m:tel packages and services, check the account balance, as well as the amount of remaining resources, view current offers and available add-ons, and much more.
- Support for the #učidoma project implemented by the Ministry of Education, by provision of a home education channel. It should be particularly emphasized that the competing telecommunications companies were assigned TV Teuta and TV Boin channels for home education of students from the Albanian-speaking area.
- Making visors for medical personnel as a sign of gratitude to all medical teams in Montenegro and worldwide.
- SMS number 15888 for donations. Support was given to the Red Cross initiative to open 15888 SMS donations line, which citizens can use to join the mutual fight against the corona virus.

**My Supernova**, although the youngest member of the Telekom Srbija Group, marked the previous business year with numerous socially responsible activities aimed at improving the community in which it operates, fully in accordance with the current moment and circumstances.

With the onset of the pandemic in the entire territory of Serbia, it unlocked every television channel for all of its users, while during the state of emergency it did not disconnect its services due to unpaid bills to customers over 65.

Together with Roaming Networks and Enetel Solutions companies, it donated a total of 3,000 external chargers for each bed in the temporary hospital at the Belgrade Fair, which enabled citizens at that hospital to freely use mobile phones and other electronic devices during their treatment.



A contribution to the development of talents, investment in the generations of young people and improvement of conditions for the purpose of acquiring knowledge were integrated by Telekom Srbija in the “We Promote the Promoters” program. The program consists of three individual projects: “We create knowledge”, “mts app competition” and “mts start-up acceleration”, as well as cooperation with the company Strawberry Energy, through which Telekom Srbija completed its support to young people, from the elementary and secondary school students to young startup creators.

In 2019, the “We Promote the Promoters” program won one of the most important awards in the field of corporate social responsibility Đorđe Vajfert, awarded by the Serbian Chamber of Commerce.

### Target 4.3.

**By 2030, ensure equal access for all women and men to affordable and quality professional education on all levels, including university**

The project of dual education of the Republic of Serbia Government is a project aimed at improving the process of education in secondary vocational schools for certain occupations, promoting their adequate application in practice and contributing to the strengthening of the competitiveness of the Serbian economy, in accordance with modern technological tendencies.

Telekom Srbija created the necessary prerequisites for joining the project for the telecommunications network fitter educational profile. This was made official by the Certificate of fulfilment of conditions for the process of learning through work, issued by the Serbian Chamber of Commerce in October 2020.

In September 2020, the first generation of students of the telecommunications network fitter educational profile enrolled in the PTT Vocational High School in Belgrade. Next year they are expected in the training centre of our company, where, supported by the colleagues of the Technical Affairs Division - licensed instructors, they will attend the learning-through-work program.

Better conditions for acquiring knowledge - We create knowledge

The students of twenty primary schools in Serbia started the new, in many ways specific, school year in new state-of-the-art IT cabinets thanks to a donation from Telekom Srbija in the We Create Knowledge campaign. During the period of four years, 80 schools in the country received a valuable donation from Telekom Srbija. Telekom Srbija supported the purchase of modern computer equipment for some high schools, among which are the School of Economics and Trade in Kraljevo, as well as the School of Economics and Trade and the Technical School in Vranje.

In 2020, Mtel Banja Luka continued with valuable donations of sports equipment to the primary and secondary schools. In addition, in the past four years, the company has been conducting an extensive campaign to equip the primary and secondary schools and children's playgrounds throughout BiH by donating valuable sports equipment to over 30 schools throughout BiH.

The initiative of the International Solidarity Forum – EMMAUS was supported this year as well. The marking of Safer Internet Day (SID) was organized by the Center for Safer Internet in BiH. On that occasion, numerous stakeholders from the field of education, children protection, media policy and the telecommunications sector, promoted the safe and responsible use of the Internet and digital technologies.

The funds were donated to the School of Electrical Engineering in Istočno Sarajevo for the purchase of furniture in order to equip the faculty premises. Also, Mtel Banja Luka supported the organization of an educational workshop for students of the Academy of Arts in Banja Luka, entitled „Art – communication – media“.

Mtel Banja Luka donated funds to the University of Banja Luka School of Natural Sciences and Mathematics for the procurement of a 3D printer and the equipment for the maintenance of the printer in order to print face shields for the vulnerable persons during the pandemic.

The Moja Supernova company donated the first smart bench to the Kneginja Milica Elementary School in Novi Beograd as part of the project “Smart benches

for elementary schools” initiated by the Ministry of Education, Science and Technological Development in cooperation with the company Strawberry Energy. In the future, the Moja Supernova company will donate valuable smart benches to another ten primary schools throughout Serbia.

#### Target 4.4.

**By 2030, substantially increase the number of young people and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship**

**The „My First Salary“ program of the Republic of Serbia Government** is intended for young people of up to 30 years of age, who have finished high school or university and have no work experience.

By participating in this program, Telekom Srbija opens its doors to ambitious young people to gain their first professional experience. During their practical training, the candidates get a chance to develop professionally and acquire skills and competencies for independent work in a reputable company such as ours. The candidates can apply for one of the positions in the Division for IT Support and ICT Services, Technical Affairs Division, Residential Customers Division and Business Customers Division. Mentors from the relevant organizational units are appointed for these positions to support the trainees, according to the training plan.

Students' practical training is conducted at Telekom Srbija on the basis of contracts with 4 higher education institutions:

- Univerzitet u Beogradu,
- University of Belgrade,
- University of Kragujevac,
- University of Niš and
- Faculty of Technical Sciences in Novi Sad.

In 2020, Telekom Srbija conducted the mandatory practical training for university and secondary school students:

- 90 university students and
- 219 students of secondary technical schools in Serbia, most of whom were from the PTT Vocational High School.

Due to the new circumstances, students could attend online practical training course, which was conducted for 16 students.

#### Practical training days

As in previous years, Telekom Srbija was an annual partner of the Student



Association of the Faculty of Organizational Sciences. The goal of the partnership in 2020 was to integrate young talents into the mts digital world. As a partner of the organization, the Company supported their “2020 Practical Training Days” project in which students solved a case study on the topic “mts – digital operator”.

In 2020, 34 students completed practical training at Mtel Banja Luka. The most popular areas for practical training in the ICT sphere were the Internet of Things, ORACLE Apex, Analytics Software, Virtual Computer Network and the like. In 2020, the subsidiary Mtel Banja Luka performed the recruitment activities. Five students completed practical training, three of whom in Telrad Net and two in Blicnet.

Telrad Net has concluded an agreement on business and technical cooperation with the Faculty of Business Economics and the Faculty of Law of the University of Istočno Sarajevo.

Logosoft d.o.o. Sarajevo has launched the “Factory of IT Professionals” online school for students in order to find and hire the best students.

#### **Target 4.b.**

**By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing states and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries**

#### **The „mts app competition“ project**

Telekom Srbija has been successfully implementing the mts app competition project for 10 years, encouraging high school students to express their knowledge and creativity in the process of programming applications for mobile devices, now in the online form. It is intended for high school students from specialized classes for talents in the sphere of mathematics, IT and computer science.

By participating in the mts app competition, the students will have a chance to design a useful and practical application in Android™ or iOS, to program it and present it as a unique product on the market. After the presentation of the applications, the jury announces five best applications and teams, which get valuable prizes (mobile phones). The winning teams from Serbia meet their peers from Bosnia and Herzegovina and Montenegro within the Regional App Challenge, the next level of competition that brings together teams from the

region, because the competition is also held and organized under the same conditions by m:tel BiH and m:tel CG. Members of the winning team from the Svetozar Marković High School in Niš got prestigious computer equipment.

#### **Programs and partners in the field of education are always a top priority**

For the implementation of projects in the field of social responsibility, the Company carefully selects partners, sharing with them the same values and goals. For more than a decade, some of these long-term partnerships have brought progress and success to the project participants. Cooperation with the High School of Mathematics in Belgrade stands out among numerous partnerships. It is a school of special national importance with which the Company, in addition to the mts app competition, organizes mathematics camps and enables students to participate at numerous international competitions. At the beginning of 2020, owing to the Telekom Srbija support, the talented students of the High School of Mathematics participated in the Zhautykov Olympiad in Kazakhstan and won seven medals in the field of mathematics, physics and computer science, as well as one gold and five bronze medals at the competition held in Bucharest.

#### **m:scholarship holders**

This year, a new generation of students has got a chance to become m:scholarship holders under the auspices of Mtel Banja Luka. More than 200 students were part of this programme in the past ten years and many of them are now employed at m:tel, as experts in their respective fields.

A ceremonial awarding of scholarships, which, for 10 years, have been awarded by Mtel Banja Luka to the most successful students of electrical engineering from BiH, was held in Istočno Sarajevo in March and April 2020. Fourteen students of the Faculty of Electrical Engineering in Istočno Sarajevo won the scholarships.

#### **Target 4.5.**

**By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations**

In cooperation with the Office for IT and eGovernment of the Serbian Government and a non-profit initiative Digital Serbia, Telekom Srbija, together with another two operators, donated mobile devices and SIM cards to eighth-grade students, who did not have the opportunity to take the online graduation tests at home, and 5GB for mobile devices per month to students from socially vulnerable families.

The May – the Month of Mathematics event has been organized for several

years by Telekom Srbija, the Regional Talent Center, which organized the World Research Paper Competition, and the Center for the Promotion of Science. In 2020, for the first time, it was organized in a virtual form.

For several years the Company has supported the „Tesla Global Forum“ Association for the organization of an event dedicated to the work and achievements of the great scientist.

The „1,000 for the Future“ project was created and implemented in cooperation with the Ministry of Scientific and Technological Development, Higher Education and Information Society of Republika Srpska, within which Mtel Banja Luka financed the purchase of 333 Raspberry Pi mini-computers, which were distributed to the primary school students from 20 underdeveloped municipalities in Republika Srpska.

Also, the Company granted a free 15 GB data bonus per month to all high school and university student until the end of the school year to enable them to access the Internet for the purpose of online learning.



#### Target 5.5.

**Ensure women's full and effective participation and equal opportunities for leadership on all levels of decision-making in political, economic and public life.**



In accordance with the diversity of activities performed by its members, Telekom Group has a mixed gender structure. Most members have a balanced distribution of both sexes in the total number of employees.



As far as the management gender structure is concerned, women's share in management positions is higher than their share in the total number of employees.

In the total number of training hours on the level of Telekom Srbija Group, both sexes are equally distributed.

No. of hours of education	Telekom Srbija		Mtel Banja Luka	
	2019.	2020.	2019.	2020.
men	29.905	16.236	16.957	5.292
women	30.397	17.564	13.958	2.673



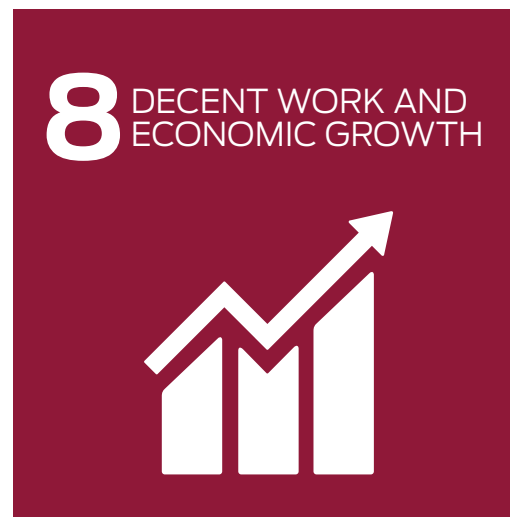
#### Target 6.4.

**By 2030, significantly increase water efficiency in all sectors and ensure sustainable water use and fresh water supply to respond to water scarcity and significantly reduce the number of people facing water scarcity**

In the course of 2020, Telekom Srbija made significant water savings up to 50,000 m<sup>3</sup>, which is lower by approximately 32% compared to 2019.

The savings were primarily made by optimizing the total business premises as well as organizing the work of a large number of employees outside the business premises during the pandemic.

Telekom Srbija has recognized the importance of this goal and will continue with the activities of rationalization in all areas of business.



#### Target 8.2.

**Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including focusing on labor-intensive and highly profitable sectors**

##### **mts start-up acceleration**

In 2020, Telekom Srbija continued to cooperate with the partner organization Startit, through the "mts startup acceleration" program dedicated to startups in the final stage of the entrepreneurial idea development. Within the program, during the previous three cycles, seven teams received an incentive in the amount of 60,000 euros, five of which are still actively working on further development of their services.

Since 2020, Startit has thoroughly reorganized a program designed for entrepreneurial teams, under the title „Startit Growth“, which also includes cooperation with investment funds from all over the world. Telekom Srbija provided technical support, i.e. fully equipped a new Startit centre in Kragujevac with internet installation and, as a national partner of this organization, it continues to support the work of these centres in another seven cities in Serbia - Belgrade, Novi Sad, Indija, Vršac, Zrenjanin, Subotica and Šabac.

## Mtel digital factory

In 2020, the Mtel digital factory, a centre for the development of technological entrepreneurship and innovation in Podgorica, continued to operate. The Mtel digital factory offers creators of good IT ideas perfect conditions for founding and developing their own business, so that they can start projects and develop a successful business as soon as possible. It provides concrete support, such as: customized workplace, Cloud Computing development platform, technical support, Startup program, administrative and legal advisory assistance, an excellent team and networking with other entrepreneurs. Under the auspices of Mtel digital factory, the Startup Activator program, designed for start-ups in the earliest development stage, was launched, with the aim of motivating young people to create products that will be used not only in Montenegro, but also worldwide. The idea is to create a kind of an ecosystem in Montenegro, where young people, staying in Montenegro, will be able to work and sell ideas all over the world.

In 2020, the employees of Telekom Srbija were essential for ensuring the continuity of business processes, raising competencies, the quality of work and motivation of employees. During this period, Telekom Group paid special attention to

- A change in operations and care for employees in a Covid pandemic
- The activities of attracting new/young generations
- The activities of retaining and developing key resources
- Protection of the employees' personality and rights

The employee development in the parent company is managed through regularly planned educational and development-motivational modalities intended for the management, talents and other employees (various internal and external education programs, business simulations, team building programs, additional schooling). On the other hand, the digitalization and improvement of the existing development processes has started and largely implemented through the integrated SAP Success Factors information system, through basic modules that support the processes of recruitment, selection, involvement and basic employee databases. Also, all modules have been largely developed and implemented. They will support and interconnect the following processes in a modern and interactive way: performance appraisal, talent management and the employee development and learning management. With the help of an online learning platform, the role of partners in creating a culture of continuous learning and development will be further enhanced.

To adapt to the business challenges resulting from the pandemic, as well as connect and exchange knowledge between employees in an informal way, in the course of 2020, six meetups were organized on various topics through MS Teams.

Also, significant HR projects in the sphere of innovations were implemented – the Corporate Innovation Project in cooperation with the Division for IT Support and ICT Services with the aim of developing internal innovations. A total of 156 employees' ideas related to processes and products were submitted. After three rounds of validation and evaluation by the expert commission, the final winning idea was chosen, which was adequately awarded.

## Training

In 2020, due to the specific situation, the participation of employees in training fell by almost 50% (a lower number of training hours). About 69% of funds intended for employee development were allocated for training.

Education held	Telekom Srbija		Mtel Banja Luka	
	2019.	2020.	2019.	2020.
Educations (no. of hours)	60.302	33.800	40.374	10.098
employees	38.092	20.856	30.826	7.720
management	22.210	12.944	9.548	2.378

Continuing the development of a coaching culture, Mtel Banja Luka organized the in-house training courses for the managers of technical affairs and sale to apply the tools which are used for team leading activities. The tools are used for the recognition and improvement of their own work style, the work style of their employees, as well as for delegation, management and provision of feedback.

Mtel Banja Luka has initiated the digitalization of the “basic level” of training for the use of new technologies aimed at increasing employee productivity and achieving more efficient business processes.

A series of internal online webinars were organized, so that the educational process was completely digitalized using company's digital resources (internal portal, distance learning portal, MS Teams).



## Number and structure of training conducted by the most important members

Number of employees	Telekom Srbija		Mtel Banja Luka	
	2019.	2020.	2019.	2020.
Trainings for professional licence	1	9	25	31
Education paid by the company	15	8	77	36
Talent program	145	240	0	0
Team building	742	106	424	15
Job rotations	380	29	4	10
Inhouse trainings	566	154	703	120
Personal development	1895	1139	409	276
<b>Total:</b>	<b>3744</b>	<b>1685</b>	<b>1642</b>	<b>488</b>
No. of employees with professional licences	507	474	37	44
No. of employees who are members of professional organization	449	481	38	41

The other members of the Telekom Srbija Group regularly organize training courses. In 2020, Mts Banka referred 9 employees to external training courses in the country. The training courses related to the following topics: prevention of money laundering, writing skills for marketing purposes, compliance functions in banks, etc. They were organized by Forum Media, the Association of Serbian Banks, etc. The company Yunet has invested a lot in the education of 5 employees in 2020, whereas in 2019, there were 20 employees.

## Job rotation

The implementation of the job rotation program in Telekom Srbija continued in 2020. Due to the situation caused by the Covid 19 pandemic, the initially planned number of employees who would participate in the job rotation program was reduced. Therefore, an emphasis was placed on a temporary job rotation. A total of 11 employees applied in 2020 and, after carrying out the activities according to the current Methodology, 6 employees, upon the expiry of the temporary job rotation program, were permanently assigned to the organizational unit in which they were temporarily assigned, so that the full effect of the job rotation process was achieved.

To motivate and retain key resources, the application of the Flexible Benefit Model continued in 2020. As a type of indirect compensations, regulated by the Decision on the allocation of flexible benefits, the model provides for the rules for benefit award and types of benefits. In 2020, 467 employees - users of

flexible benefits from all organizational units of the Company – were selected. A total of 2549 applications for different types of flexible benefits were fulfilled (various types of employee insurance, various types of training, tourist trips, the costs of education of the employee's children, medical services, fitness and wellness services, various gift cards and vouchers).

Also, in 2020, 10 housing loans were granted to employees, as a down payment for the loan with commercial banks, whereby the Company supported the employees in one of the most important life issues.

In the course of 2020, a one-off payment was made to all women on the occasion of Women's Day, 8 March, regardless of the type of employment, as well as a one-off payment to the employed parents of children under 10 and children with special needs up to 15 years of age for New Year's gifts.

In addition to the above, Telekom Srbija has provided voluntary pension insurance to all employees since 2008, in the voluntary pension funds Dunav and Generali.

Telekom Srbija continues the tradition of granting the jubilee awards to employees and former employees for 10, 20, 30 or 40 years of continuous service in Telekom Srbija, i.e. the PTT System of Serbia.

As a result of the measures taken in the previous period, Telekom Group recorded an increase in the number of new employees among young adults, which is a consequence of various employment branding activities and participation in the projects of the Government of the Republic of Serbia.

Age structure of newly employed	2020.
Up to 30 years of age	34%
30-50	59%
Over 50	7%
Total newly employed	1318
Number of departures from TG Group	481
Net change	837

The average external fluctuation rate was relatively low in 2020 compared to the previous year, when Telekom Srbija implemented a voluntary layoff program.

External fluctuation rate	2019.	2020.
Telekom Srbija	17%	2%
Mtel Banja Luka grupa	6%	5%
Telus	9%	6%
Moja Supernova		8%
Mtel Podgorica	1%	3%
mts banka	10%	9%
Arena Channels Group	4%	12%
mts d.o.o.	15%	4%
Yunet	15%	12%
Mtel Global	4%	14%
<b>Average</b>	<b>10%</b>	<b>7%</b>

In accordance with the previous practice, Mtel Banja Luka awarded its employees in 2020 as well. A total of 36 employees won the "Employee of the Year" award. The award criterion was the behaviour that clearly promotes corporate values. Also, some employees sporadically received cash awards for special contribution and excellence in performance outside the job description.

Mts Bank rewards its employees for their performance beyond the standard.

### Target 8.8.

#### **Protect labour rights and promote safe and secure working environment for all workers, including migrant workers, particularly women migrants, and those in precarious employment**

During the pandemic, Telekom Group showed a high level of understanding and care for its employees and made additional efforts to enable uninterrupted work from home and redistribution of working hours for all employees, where possible (60% of Mtel Banja Luka employees), as well as safety and health of employees.

Mel Podgorica sent a large number of its employees to work from home. For those who could not work from home due to the nature of their jobs, the necessary equipment for protection and safe work was provided (masks, gloves, hand disinfectants). Also, every day after the end of working hours, a thorough disinfection of retail stores and the headquarters has been done in order to protect employees and customers from infection.

In their by-laws, the Group members envisages the employees' right to regular medical examinations, as well as solidarity aid for them and their family members.

According to the data of the representative members of the Group, solidarity funds were distributed to more than 13% of employees, whereas more than 25% of the Group's employees underwent medical examinations. Mtel Banja Luka took the lead in these activities and provided social assistance to more than 45% of employees.

The Group consistently performs the activities defined by the Law on Safety and Health at Work. In order to raise the level of safety and health at work, Telekom Srbija implemented ISO standard 45001:2018 in 2019 and adopted the Policy of Safety and Health at Work, which defines the principles and area of application. At the end of 2020, the recertification was successfully performed, i.e. the validity period of the certificate was extended. As a result, training courses are implemented on an annual basis for employees in high-risk jobs, as well as for new employees and those reassigned to other jobs.

Based on the data of the Group's representative members, it can be concluded that the number of training courses significantly increased, which consequently led to a significant decrease in the number of injuries in 2020 compared to 2019

Health and safety at work	2019.	2020.
No. of employees at work posts with increased risk	1.558	2.019
Number of injuries at work with light injuries	53	39
Number of injuries at work with grave injuries - disability	6	5
Number of fatal injuries at work	0	0

Telekom Srbija provides group insurance to all employees against the consequences of accidents at work or outside of work (24/7), serious illnesses and surgeries. In 2019, by filing a claim for compensation, a total of 300 employees (4.46%) exercised the right to reimbursement of the insured sum by the insurance companies, whereas in 2020 this right was exercised by 214 employees (3.19%).

Telekom Srbija provides additional protection of employees through group insurance, with special insurance of the employees assigned to high-risk jobs. The basic insurance of employees and professional liability insurance are defined by other members of the Group in their by-laws.



#### Target 9.1.

**Develop quality, reliable, sustainable and resistant infrastructure, including regional and border infrastructure in order to support economic development and social welfare, with the focus on affordable and equal access for everyone**

This objective is successfully implemented through the ALL IP project of modernization on the Telekom Srbija fixed telephone network, which will, among else, allow a large number of customers, primarily in urban environments, to get access to optical cables where customer bit rates may range up to 1Gb/s. The implementation of the project will help create a more favourable environment for new investors because the use of optical cables is a turning point for further development of the economy. So far optical cables have been installed for 887,000 households, a total of 28,825 km of cable have been laid with almost 1.5 million km of optical fibres.

#### Target 9.c

**Significantly increase access to information and communication technologies and invest efforts to allow universal and affordable access to the Internet in the least developed countries until 2020**

Moja Supernova was the sponsor of the first Blic panel discussion organized by the Ringier Axel Springer company and the Serbian Chamber of Commerce under the title "Geopolitics in the Digital Era – Will Serbia use this chance?", which was held at the beginning of March 2020.



#### Target 11.4.

**Strengthen efforts aimed at the protection and preservation of the world cultural and natural heritage**

In 2020, the Company continued its successful cooperation with the Academy of Fine Arts. The Company secured a pecuniary award for the best student work at the Department for New Media, which has been granted for the fourth time. Thanks to the donation of Telekom Srbija a large 3D clay printer was launched into operation at the Academy of Fine Arts thanks to the donation of Telekom Srbija.

With the already traditional support of the Company, younger generations of artistic talents were able to present their works at the "55th Children's October Salon". Support was granted for the holding of the Poetry Relay in Zrenjanin, and new books were provided as a gift to school libraries ahead of the New Year in another ten elementary schools throughout Serbia.

Telekom Srbija and the Endowment of Ilija M. Kolarac continued their cooperation on the program "Kolarac – Your World of Music" within which the most significant names of the world music scene visited Belgrade, while young artists, with support from the Company, showed their talents at the 17th International Music Competition "Davorin Jenko".

Telekom Srbija helped the reconstruction of several churches and monasteries, including the Temple of Saint Basil of Ostrog in Belgrade, the Monastery of Saint Nicholas of Myra in Drača, the Temple of Saint Parascheva in Rakovac, the

Church of Saint Demetrius in Obrenovac, and additional telecommunications services were enabled for the Chilandari Monastery in order to enhance the project of digitalization of the Chilandari Treasury.

For the purpose of preserving the cultural heritage, Telekom Srbija helped the procurement of information equipment for the Historical Archives of Šumadija in Kragujevac. In its depots and funds, the Archive treasures valuable material documenting the history of this part of Serbia where the foundations of the modern Serbian state were laid.

Through its long-term cooperation with the Ethno Network, which has organized the seventh exhibition in a row called “100 Women – 100 Miniatures”, Telekom Srbija contributes to the affirmation of women’s entrepreneurship in rural environments and the preservation of cultural heritage.

As a traditional friend of the Sports Assembly of the Holy Serbia, Telekom Srbija supported the project aimed at the preservation of tradition, fellowship and the sports spirit among the youth – the central event on Ada Ciganlija in Belgrade, where a number of sports events, tournaments, cultural and educational events were organized.

In 2020 as in earlier years, Mtel Banja Luka provided full support to the following institutions:

- National Theatre of Republika Srpska that celebrated its 90th anniversary, and the holding of the Theatre Festival “Petar Kočić”;
- Museum of Republika Srpska where an exhibition called „Return to the World of Illusion” was held in 2020 within which the visitors had an Mtel corner for taking photographs;
- Fifth edition of Play Media Day that was held online;
- Gala concert of the City’s tamburitza orchestra entitled “The Tamburitza Postcard of Europe”, in the grand concert hall of the Banski Dvor Cultural Centre;
- The Autumn Sonata Festival, which has become a traditional cultural event. For all those who have not purchased an entrance ticket, Banski Dvor has secured a live stream of each festival evening on the official YouTube channel of Banski Dvor;
- Gipsy Kings concerts in Sarajevo and Banja Luka;
- #ostanikodkuće with an online concert of Sergej Četković. On the occasion of the Day of the City of Banja Luka, 22 April 2020, in a special TV program, the viewers were able to watch and listen to a live stream concert of Sergej Četković with the support of mtel Serbia.

Moja Supernova became the sponsor of the Mobile Music Fest, a unique and original off&online competition of author pop/rock bands, which was held for the second time in a row, featuring young bands and musicians.

## Target 11.6.

### **Decrease the negative impact of cities on the environment measured per capita until 2030, with a special focus on air quality and waste management on municipal and other levels**

Digital solutions that transform our cities are developed either independently by Telekom Srbija or in cooperation with partners through the concept of smart cities. Some of the partners are young experts from the Strawberry Energy company, with whom the company has been cooperating since 2011, when they started to develop smart solutions for urban environments using modern technologies. After the installation of the Smart Bench in Novi Sad a year earlier, cooperation was implemented in 2020 by the installation of a Smart Bench in Leskovac, as a gift to the Centre for Professional Training and Education, on the occasion of Science Day.

Apart from allowing access to free Internet and serving as a solar charger for mobile handsets, the bench also provides information about air quality, noise level in the environment, temperature and air pressure, which indirectly raises awareness of the need for environmental protection.





#### Target 12.4.

**Until 2020 we will be able to ecologically manage chemicals and all types of waste during their entire life cycle, in accordance with the agreed international frameworks, and significantly reduce their release into air, water and land in order to reduce their negative impact on the health of people and the environment.**

According to the Law on protection from non-ionizing radiation, the measurement of the level of electro-magnetic radiation of radio base stations is performed every two years.

In 2020, measurement was performed at 667 base stations:

- First measurements for 253 base stations were performed at 81 locations.
- Expert evaluations of environmental burden were performed at 101 locations including measurements for 356 base stations.
- An additional 58 zero measurements were performed within the Expert evaluations for newly planned locations

In 2020, the number of boiler-rooms releasing toxic gases was reduced by four, from 14 to 10 boiler-rooms, which resulted in a lower emission of toxic gases by approximately 40% of substances, which are measured in the air.

The management of heat and the raw materials necessary for the heating of business facilities was conducted by a detailed planning of the fuel supplies with

a strict control of consumption and indication of each increased consumption of individual facilities. The result is a lower consumption of the most significant fuels as compared with 2019.

Consumption of raw material and energy, gas emission	2019.	2020.	Growth rate
NO <sup>2</sup> kg	5.240	5.379	3%
CO kg	11.057	6.430	-42%
SO <sub>2</sub> kg	6.353	3.558	-44%
Wood m <sup>3</sup>	61	73	19%
Coal kg	195.978	184.763	-6%
Fuel oil l	309.935	292.245	-6%
Heating fuel l	284.268	275.202	-3%

The company is very careful regarding the procurement and use of the car fleet. The overall consumption of fuel in 2020 was decreased by almost 9%, i.e. the consumption of fuel was reduced by a total of 150 thousand litres.

Car fleet	2019.	2020.	Growth rate
number of vehicles	1.074	1.072	-0,2%
share of freight vehicles in total number	52	51	-0,2%

Fuel consumption	2019.	2020.	Growth rate
diesel consumption (Lit)	811.430	712.906	-12%
petrol consumption (Lit)	999.315	939.242	-6%
<b>Total</b>	<b>1.810.744</b>	<b>1.652.148</b>	<b>-9%</b>

In 2020, 160 reports on systematic examination of the level of non-ionizing radiation of the electric field from the mobile telephony base stations and 500 measurements of the level of the electro-magnetic field on the locations of base stations were done throughout Bosnia and Herzegovina.

According to the Ministry of Health and Social Welfare for the purpose of obtaining licenses for the use of base stations, 196 requests were delivered based on the applicable legal regulations. A total of 384 Statements on safety for the purpose of obtaining Certificates on the safety for operation for base stations on the territory of Bosnia-Herzegovina were delivered.

In the facilities of the company where there are boiler rooms, the company measured the amount of soot released via chimneys into the air. According to the

request of the Ecological Inspection of the City of Banja Luka, three measurements of the noise produced by air conditioning systems were performed.

By its activities Mtel Podgorica raises its employees' awareness of the importance of environmental protection. For the purpose of contributing to a cleaner and healthier Montenegro, it implements the following activities:

- Correct disposal of waste
- Protection of air from pollution by the exhaust gases from company cars
- The development of the citizens' awareness that they can all as individuals contribute to the protection of the environment, by the correct disposal of waste
- Employees participate in the implementation of all activities implemented in the sphere of protection of social environment
- All projects that are envisaged and implemented are controlled by the ecological experts of the relevant Ministry of Tourism and Sustainable Development
- All spaces are designed in order not to harm the environment
- Disposal of waste (primarily electronic waste, computers, phones, various technical devices) is implemented with the company licensed for the destruction of electronic waste
- All company cars enable reduced air pollution
- Experts are engaged for various measurements regarding air pollution, radiation, noise, etc. Measurements are also implemented in cooperation with the Eco-Toxicological Institute of Montenegro.

## Target 12.5

### Significantly reduce the production of waste until 2030 through prevention, reduction, recycling and reuse

The process of waste management is defined by the regulations of the Republic of Serbia, and the internal by-laws – Guidelines on waste matter management, Procedure for write-off, offsetting and liquidation of assets and the Rules on implementation of the procedure of sale of written off assets and the handover of sold assets.

As compared with 2019, Telekom Srbija handed over 417 tons of waste more, and the period of storing the waste until its handover to qualified legal persons for recycling was significantly shortened. The software application used for monitoring the handover of waste is the application of the Agency for Environmental Protection, Ministry of the Environment.

Waste quantity (in tons)	2019.	2020.	Growth rate
Total hazardous and non-hazardous waste	720	1.137	58%
Total non-hazardous waste	602	462	-23%
Total hazardous waste	119	674	468%

Through the activities of rationalization of business premises and the recording of the installed capacities for heating technical and business premises, Telekom Srbija in 2020 generated significant annual savings in costs in dinars as compared with 2019:

Savings made	Annual savings
Heating	31.858.240
Electricity	5.489.788
Water supply and sewerage	1.216.240
Removal and disposal of bulky waste	2.801.848
Energy supplies delivery in common boiler room	1.959.660
<b>Total:</b>	<b>43.325.776</b>

In 2020, Telekom Srbija implemented an intense campaign for the E-invoice service with numerous advantages and discounts for the customers. It is estimated that significant savings of some 16% were made in the consumption of paper and printed materials by the rationalization of printing and the continued e-invoice campaign.

For the purpose of environmental protection in 2020, Mtel Banja Luka continued to implement an internal and external campaign for saving paper, i.e. use of electronic invoices instead of paper ones. Also, the company continued the activities regarding the correct disposal of obsolete and non-functional electronic equipment, and the damaged phones returned by end users.

For the purpose of reducing the production of waste Mtel Podgorica implements the activities of reducing the use of paper in operations.



### Target 15.5.

**Undertake urgent and significant activities for reducing the degradation of natural habitats, stop the loss of biodiversity and protect the endangered species and their extinction until 2020**

The members of the Telekom Srbija Group in every business and organizational segment have in mind the necessity of environmental protection. They fully respect legal regulations and international standards, aimed at making a contribution to the implementation of key objectives of sustainable development.

Like every year, in 2020, most attention was dedicated to the operation of radio base stations and the electro-magnetic field, emitted by them through the antenna system. For the purpose of environmental protection, the members implemented a number of other activities.

In an attempt to contribute to raising the community's awareness of ecology, Telekom Srbija continued with its activities for the purpose of protection of the environment and the endangered animal and plant species.

The donation to the Foundation for the Protection of Birds of Prey –Belgrade enabled the procurement of a satellite transmitter by which, for the first time in Serbia, satellite telemetry was applied in the monitoring of a migratory and globally endangered species of birds – the short-toed eagle.

With the help of Telekom Srbija's donation to the Jadovnik Association – An Oasis of Unspoiled Nature, video surveillance was secured with the auxiliary equipment for the feeding ground Kašan at Jadovnik and is used for monitoring the arrival of griffon vultures, an endangered species.

By investing in the preservation of plant and animal species and their habitats, Telekom Srbija additionally draws attention to the protection of biodiversity. "Eco-Walk" is a new concept of volunteer campaigns developed and implemented by the CEREBRA organization in cooperation with the Student Organization of the Mathematical Faculty in Banja Luka. This campaign is aimed at the promotion of healthy lifestyles, quality free time, inclusion and affirmation of youth in the ecological community, raising ecological awareness and direct impact on the protection of the environment.

On the occasion of marking Planet Earth Day, on 22 April, Mtel Banja Luka joined the celebration by an Invitation to participate in the Playground challenge, on topics referring to environmental protection. The Playground Program, as well as the majority of planned activities in 2020, had to be held online, due to the pandemic caused by Covid-19. The recordings were placed on the Mtel Facebook page, and the lectures were free of charge and available to everyone. The Playground challenge was finished in December by Demo Day, which was also held online this year, and at which projects were presented by five teams of finalists. An expert jury selected three most successful teams and granted them pecuniary awards.



### Target 16.1.

#### Significantly reduce all forms of violence in all spheres and the related death rate

Respect of the employees' rights is the basic obligation in achieving the harmonization of internal relations. In Telekom Srbija as the parent company we established, via an internal portal, two channels of protection of the employees through which the employees can resolve the open issues regarding their labour-related rights and obligations:

- Ask human resources and
- Legal and labour counselling within which employees can address an expert team of lawyers for all kinds of assistance in the exercise and protection of their legal and labour position in accordance with the law and internal by-laws.

The Rules on Personal Data Protection defines the basic principles and rules of behaviour in the sphere of the processing and protection of personal data taking into account the possibility of a risk and the level of risk to the rights and freedoms of physical persons.

For the purpose of protecting every employee from discrimination and mobbing, two judicial proceedings were launched in 2020. Also, in accordance with the Law on the Protection of Whistleblowers, a person was appointed for receiving information and introducing a procedure related to whistleblowing.

Within the Telekom Srbija Group, trade unions were registered in Telekom Srbija, Mtel Banja Luka and Telus having some 8,000 i.e. around 75% of their total number of employees.

In Telekom Srbija there is a total of 10 trade unions of which 2 have the status of representative trade unions. Also active within Telekom Srbija are associations with over 1,300 members:

- Association of fitters for the telecommunications network of Serbia (860 members)
- Association of engineers of Telekom Srbija (175 members).
- Association of the shareholders of PE PTT Traffic Srbija and Telekom Srbija (268 members)

### Target 16.5.

#### Significantly reduce corruption and bribery in all its forms

The Rules on the procedure of internal whistleblowing, based on which the Decision on the appointment of persons for receiving information and the implementation of a procedure related to whistleblowing was adopted, defines the manner of acting on information for the purpose of establishing and removing irregularities indicated by the information.

In 2020, preparatory activities were undertaken related to the creation of the integrity plan, in accordance with the Law on the Prevention of Corruption. The aim is establishing the mechanisms which will ensure a more efficient and effective functioning of the Company, through strengthening responsibility, increasing transparency in the process of decision-making, strengthening work ethics and introducing a more efficient system of surveillance and control. The code of corporate behaviour defines struggle against corruption and other illegal activities.

By introducing the Rules on the Whistleblowing Procedure in mts banka according to the obligation established by the Law on the Protection of Whistleblowers, the Bank defined the rules by which it ensures the protection of whistle-blowers, who among else uncovers the violation of regulations which refer to operations within the organization, including the activities that would possibly include corruptive elements (internal whistleblowing). All the rights of the employees in mts banka guaranteed by the applicable laws are internally protected by the rules on operation of mts banka a.d. Beograd, and the following by-laws: Rules on the Procedure of Internal Whistleblowing, Decision on the appointment of persons for receiving requests for the protection from abuse at work and notification about the prevention of abuse at work, and the Rules on professional training and development of employees.





### Target 17.17.

**Podržati i promovisati delotvorna javna, javno-privatna partnerstva i partnerstva civilnog društva, izgrađena na iskustvima i strategijama pronalaženja resursa za partnerstva**

The Telekom Srbija Group believes that the aims are best implemented in communication with expert and committed people and confirms this by its long-term corporate membership in expert and philanthropic organizations.

Telekom Srbija is aware that leadership in services and market growth carries with it an additional responsibility toward the local community and responsibility for the implementation of global objectives, which it accepted by its accession to the United Nations Global Compact in 2010.

Telekom Srbija is traditionally an active member of many international and local organizations:

- Cullen International
- European Telecommunications Network Operators Association (ETNO)
- ESOMAR
- Gartner Inc
- GSM Association (GSMA)
- Internationaler Controller Verein (ICV)
- IEEE

- IoT Forum
- LoRa Alliance
- Metro Ethernet Forum (MEF)
- TeleGeography
- TeleManagement Forum (TMF)
- United Nations Global Compact Network (UNGCN)
- Forum for Responsible Operations (FOP - Smart Collective)
- French-Serbian Chamber of Commerce (CCIFS)
- Digital Serbia Initiative (IDS)
- Italian-Serbian Chamber of Commerce (KISP)
- NALED
- German-Serbian Chamber of Commerce (NSPK)
- Regional Business Club "Business Plus"
- Foreign Investors Council (FIC)
- Serbian Association of Managers (SAM)
- Association of Corporate Directors of Serbia (UKDS)
- Association of SAP Users in Serbia (USKUS)
- Serbian Philanthropic Forum
- Serbian Chamber of Commerce

Mtel Podgorica is a corporate member of the following organizations:

- AMM – Association of Montenegrin Managers,
- AmCham Montenegro – American Chamber of Commerce,
- MBA – Montenegro Business Alliance,
- Employers' Union,
- Montenegro Chamber of Commerce,
- MFIK,
- GSM association

## Other socially responsible activities of the Telekom Srbija Group for the purpose of community care



### Investment in sports

Telekom Srbija has supported the Movement for Women's Basketball – Marina Maljković since its foundation, which made it possible to organize the training classes free of charge at several locations in Belgrade, Obrenovac and Novi Pazar, for 2,000 girls of elementary school age so far.

Strong support for sports, as one of the true values, is one of the foundations of the operations of Mtel Banja Luka and big and important contracts, as well as sponsorships were implemented in 2020:

- The company became a sponsor of the Football Alliance of BiH, i.e. of the Premier League of BiH, as well as men's A and U-21 national teams. By undertaking this sponsorship, the Mtel company, among else, made it possible for Arena Sport to broadcast the matches of the Premier League of BiH, matches of the BiH Cup, the First League of Republika Srpska and the First League of the Federation of BiH.
- The company signed contracts with the Football Alliance of the Federation of BiH and the Football Alliance of Republika Srpska. These contracts refer to the sponsorship of the First Leagues, in this case the Federation of BiH and Republika Srpska, and the rights to broadcast the matches played within

these leagues, which the fans of this sport were not able to watch via TV broadcast.

- It made its cooperation with the judo world champion, Nemanja Majdov, official.
- It also signed a contract with the Football Club Borac Banja Luka.
- Mtel continued to support sports clubs by sponsoring Basketball Club Igokea, Handball Club Borac, Football Club Radnik Bijeljina, Youth Basketball Club Borac, Swimmers' Club Borac, Women's Handball Club Borac, Serbian Basketball Club Borac, Basketball Club Leotar Trebinje, Water Polo Club Banja Luka, Judo Club Zvijezda and others

In March 2020, Moja Supernova became the general sponsor of the American Football Club Wild Boars from Kragujevac, who are in their discipline untouchable with nine champion trophies, of which four trophies were won in a row over the last four years.

This year Moja Supernova continued to sponsor Mikica Vesnić, an international and national champion in car races.

### Safety in Transport

The Ministry of Transport and Communications of Republika Srpska and the Agency for the Safety of Transport of Republika Srpska on 29 October 2020 in Banja Luka, organized the Ninth International Conference "Safety of Transport in the Local Community ". Mtel's campaign for 2020 entitled "If you love me, leave your phone while driving" is a continuation of a long-term practice of the company to participate in raising the drivers' awareness about the necessity of conscientious use of mobile phones while driving. Within the said conference, an appreciation plaque was granted to the company for its support in the implementation of preventive activities in the sphere of transport safety.