

# **Ukraine Tower Company LLC**

Financial Statements  
for the year ended 31 December 2023  
& Independent Auditor's Report

**Limited Liability Company "Ukraine Tower Company"  
International Financial Reporting Standards  
Financial Statements  
and Independent Auditor's Report**

**31 December 2023**

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# Independent auditor's report

To the Owner of  
Limited Liability Company "Ukraine Tower Company"

## Opinion

We have audited the financial statements of Limited Liability Company "Ukraine Tower Company" (hereinafter - the "Company"), consisting of the balance sheet (statement of financial position) as at 31 December 2023, the statement of financial results (statement of comprehensive income), the statement of shareholders' equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2023 and its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and, in all material respects, with financial reporting requirements of the Law of Ukraine "On accounting and financial reporting in Ukraine" No. 996-XIV.

## Basis for Opinion

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

## Material uncertainty related to going concern

We draw attention to Note 3, "Going concern" section, in the financial statements, which discloses that the future course of the military invasion, its duration and the short-term and long-term effect on the Company, its personnel, operations, liquidity and assets are factors of significant uncertainty. The further development of the ongoing armed aggression of the Russian Federation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other matters

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on these financial statements on 19 April 2024.

## Other information

Management is responsible for other information. Other information consists of the information contained in the management report for 2023 (but do not contain the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express an opinion with any level of assurance about that other information.

In connection with our audit of the financial statements, it is our responsibility to review the other information listed above and, in doing so, consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained during the audit, or whether the other information appears to be materially misstated.

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**Now, for tomorrow**

We have concluded that the financial information provided in the management report for 2023 is consistent, in all material respects, with the financial statements for the reporting period.

If, based on our work on other information, we conclude that there is a material misstatement of that other information, we are required to report this fact. We did not discover such facts that should be included in the report.

### **Responsibilities of management and those charged with governance for the financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Sergey Kesarev  
Partner

The auditor's registration number in the Register of auditors and auditing entities: No. 100804

"BAKER TILLY UKRAINE" LLP

Registration number in Register of auditors and auditing entities: No. 2091



Kyiv, Ukraine

19 December 2024

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BAKER TILLY UKRAINE Limited Liability Partnership  
ERDPOU code: No. 30373906  
Location: 04112, Kyiv city, Grekova Street, 3, apartment 9  
Actual address: 03150, Kyiv, Fizkultury Street, 28  
Website: [www.bakertilly.ua](http://www.bakertilly.ua)

**Limited Liability Company "Ukraine Tower Company"**  
**Balance Sheet (Statement of Financial Position)**  
*(in thousands of Hryvnia)*

Company Limited Liability Company "Ukraine Tower Company"Territory KyivOrganisational and legal form of economic activity Limited Liability CompanyType of economic activity Leasing and Operation of Own or Leased Real EstateAverage number of employees 119Address, telephone 53 Dehtyarivska Street, Kyiv, 03113, Ukraine

Measurement unit: thousands of Hryvnia, no decimal point (except for Section IV of the Statement of Financial Results (Statement of Comprehensive Income) (Form 2) where amounts are stated in Ukrainian hryvnias with kopecs)

Prepared (tick the necessary box):

according to National Regulations (Standards) of Accounting in Ukraine

according to International Financial Reporting Standards

Date (year, month, day)

EDRPOU

KOATUU

KOPFG

KVED

Codes

2023 | 12 | 31

44281999

UA80000000001078669

240

68.20

**Balance Sheet (Statement of Financial Position)**

as at 31 December 2023

Form 1

DKUD code

0406001

ASSETS	Line code	Notes	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4	5
<b>I. Non-current assets</b>				
Intangible assets	1000	10	-	17 558
historical cost	1001		-	19 154
amortisation	1002		-	(1 596)
Construction-in-progress	1005	11	14 808	88 629
Property, plant and equipment	1010	8, 9	2 421 674	3 010 008
historical cost	1011		2 901 218	3 901 661
amortisation	1012		(479 544)	(891 653)
Deferred tax assets	1045	21	35 607	44 466
Other non-current assets	1090		94	9 158
<b>Total Section I</b>	<b>1095</b>		<b>2 472 183</b>	<b>3 169 819</b>
<b>II. Current assets</b>				
Inventories	1100		1 464	506
production stock	1101		1 464	506
Accounts receivable for goods, works and services	1125	12	175 839	240 687
Accounts receivable on settlements:				
on advances issued	1130	12	1 948	5 133
with the budget	1135	12	64 466	10 772
including corporate profit tax prepaid	1136		-	-
Accounts receivable for settlements on accrued income	1140	12	266	804
Cash and cash equivalents	1165	13	108 918	320 310
Deferred expenses	1170		4 352	5 265
Other current assets	1190		5	-
<b>Total Section II</b>	<b>1195</b>		<b>357 258</b>	<b>583 477</b>
<b>III. Non-current assets held for sale and disposal groups</b>	<b>1200</b>		<b>-</b>	<b>-</b>
<b>BALANCE</b>	<b>1300</b>		<b>2 829 441</b>	<b>3 753 296</b>

**Limited Liability Company "Ukraine Tower Company"**  
**Balance Sheet (Statement of Financial Position)**  
*(in thousands of Hryvnia)*

EQUITY & LIABILITIES	Line code	Notes	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4	5
<b>I. Equity</b>				
Registered (share) capital	1400	14	5 000	5 000
Revaluation reserve	1410	14	79 745	79 745
Retained earnings (accumulated deficit)	1420	14	164 024	1 081 561
<b>Total Section I</b>	<b>1495</b>		<b>248 769</b>	<b>1 166 306</b>
<b>II. Long-term liabilities and provisions</b>				
Long-term bank borrowings	1510		-	-
Other long-term liabilities	1515	9, 17	1 309 561	1 406 231
Long-term provisions	1520	16	14 846	19 022
<b>Total Section II</b>	<b>1595</b>		<b>1 324 407</b>	<b>1 425 253</b>
<b>III. Current liabilities and provisions</b>				
Short-term bank borrowings	1600		-	-
Current accounts payable on settlements: for goods, works, services	1615	15	386 236	637 992
with the budget	1620		41 166	57 668
including liability on corporate profit tax	1621		40 868	56 685
on payroll	1630		4	1 795
Current provisions	1660	16	21 704	26 387
Other current liabilities	1690	9, 17	807 155	437 895
<b>Total Section III</b>	<b>1695</b>		<b>1 256 265</b>	<b>1 161 737</b>
<b>IV. Liabilities associated with non-current assets held for sale and disposal groups</b>				
	1700		-	-
<b>BALANCE</b>	<b>1900</b>		<b>2 829 441</b>	<b>3 753 296</b>

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 December 2024

Chief Executive Officer

Artem Pohydaiev

Chief Accountant

Dina Myroniuk

**Limited Liability Company "Ukraine Tower Company"**  
**Statement of Financial Results (Statement of Comprehensive Income)**  
*(in thousands of Hryvnia)*

Company Limited Liability Company "Ukraine Tower Company"  
(name)

Date (year, month, day)  
EDRPOU

Codes		
2023	12	31
44281999		

**Statement of Financial Results (Statement of Comprehensive Income)**

for the year ended 31 December 2023

Form 2

DKUD code

0406002

**I. Financial results**

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
Net revenue from sales of goods, works and services	2000	18	1 968 825	1 120 628
Cost of sales of goods, works and services	2050	19	(569 409)	(425 200)
<b>Gross: profit</b>	<b>2090</b>		<b>1 399 416</b>	<b>695 428</b>
<b>loss</b>	<b>2095</b>		-	-
Other operating income	2120	18	2 545	8 406
Administrative expenses	2130	19	(70 297)	(87 257)
Selling expenses	2150	19	(4 028)	(1 802)
Other operating expenses	2180	19	(236)	(140 172)
<b>Financial results from operating activities: profit</b>	<b>2190</b>		<b>1 327 400</b>	<b>474 603</b>
<b>loss</b>	<b>2195</b>		-	-
Other financial income	2220	20	6 889	3 204
Other income	2240	22	37 143	195
Financial expenses	2250	20	(239 143)	(231 190)
Other expenses	2270	22	(6 466)	-
<b>Financial results before taxation: profit</b>	<b>2290</b>		<b>1 125 823</b>	<b>246 812</b>
<b>loss</b>	<b>2295</b>		-	-
Income tax expense	2300	21	(208 286)	(56 132)
<b>Net financial result: profit</b>	<b>2350</b>		<b>917 537</b>	<b>190 680</b>
<b>loss</b>	<b>2355</b>		-	-

**II. Comprehensive income**

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
Other comprehensive income after tax	2460		-	-
<b>Comprehensive income (total of lines 2350, 2355 and 2460)</b>	<b>2465</b>		<b>917 537</b>	<b>190 680</b>

**Limited Liability Company "Ukraine Tower Company"**  
**Statement of Financial Results (Statement of Comprehensive Income)**  
*(in thousands of Hryvnia)*


**III. Elements of operating expenses**


Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
Payroll	2505	19	56 753	52 854
Social payments	2510	19	11 879	10 799
Depreciation/amortisation	2515	19	452 923	318 932
Other operating expenses	2520	19	122 415	271 846
<b>Total</b>	<b>2550</b>		<b>643 970</b>	<b>654 431</b>

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 December 2024

Chief Executive Officer

Chief Accountant

  
 Artem Pohydaiev

  
 Dina Myroniuk

**Limited Liability Company "Ukraine Tower Company"**  
**Statement of Cash Flows (indirect method)**  
*(in thousands of Hryvnia)*

Company Limited Liability Company «Ukraine Tower Company»

(name)

Date (year, month, day)

EDRPOU

2023	12	31
44281999		

**Statement of Cash Flows (indirect method)**

for the year ended 31 December 2023

Form № 3

DKUD code

0406003

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
<b>I. Cash flows from operating activities</b>				
Profit (loss) from ordinary activities before taxation	3000		1 125 823	246 812
Adjustments for:				
depreciation of non-current assets	3505	8, 10, 19	452 923	318 932
increase (decrease) in provisions	3510	16	4 682	22 375
non-realised foreign exchange differences	3515		1 403	520
loss (income) from other non-operating and non-cash transactions	3520		(10 159)	(10 341)
Impairment (reversal of impairment) of non-current assets	3526	19	(33 086)	138 570
Financial expenses	3540	20	239 143	231 190
Decrease (increase) in current assets	3550		(67 984)	(101 438)
Decrease (increase) in inventories	3551		958	(1 464)
Decrease (increase) in accounts receivable for goods, works and	3553		(64 849)	(113 468)
Decrease (increase) in other current accounts receivable	3554		(3 185)	7 548
Decrease (increase) in contract assets	3556		(913)	(2 903)
Decrease (increase) in other current assets	3557		5	8 849
Increase (decrease) in current liabilities	3560		70 293	37 274
Increase (decrease) in current accounts payable for goods,	3561		13 666	51 795
Increase (decrease) in current accounts payable for settlements	3562		54 017	141
Increase (decrease) in current accounts payable for settlements	3564		1 791	(2)
Increase (decrease) in other current liabilities	3567		819	(14 660)
<b>Cash flows from operating activities</b>	<b>3570</b>		<b>1 783 038</b>	<b>883 894</b>
Income tax paid	3580		(201 328)	(45 464)
Interest paid	3585		(237 407)	(175 914)
<b>Cash flows from operating activities, net</b>	<b>3195</b>		<b>1 344 303</b>	<b>662 516</b>

**Limited Liability Company "Ukraine Tower Company"**  
**Statement of Cash Flows (indirect method)**  
*(in thousands of Hryvnia)*

Item	Line Code	Notes	For the reporting period	For the similar period of the prior year
1	2	3	4	5
<b>II. Cash flows from investing activities</b>				
Receipts from: non-current assets	3205		2 175	134
Receipts from: interest received	3215		6 351	3 256
Purchases of: non-current assets	3260		(509 885)	(352 107)
<b>Cash flows from investing activities, net</b>	<b>3295</b>		<b>(501 359)</b>	<b>(348 717)</b>
<b>III. Cash flows from financing activities</b>				
Receipts from: Equity	3300		-	-
Loans received	3305		-	530 000
Loans repayment	3350	26	(450 664)	(750 000)
Interest paid	3360	26	-	-
Lease payments	3390	26	(184 796)	(152 806)
<b>Cash flows from financing activities, net</b>	<b>3395</b>		<b>(635 460)</b>	<b>(372 806)</b>
<b>Cash flows for the reporting period, net</b>	<b>3400</b>		<b>207 484</b>	<b>(59 007)</b>
Cash at the beginning of the year	3405	13	108 918	158 998
Effect of exchange rates on cash balances	3410		3 908	8 927
Cash at the end of the year	3415	13	320 310	108 918

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 December 2024

Chief Executive Officer

Artem Pohydaiev

Chief Accountant

Dina Myroniuk

**Limited Liability Company "Ukraine Tower Company"**  
**Statement of Shareholders' Equity**  
*(in thousands of Hryvnia)*

Company Limited Liability Company «Ukraine Tower Company»  
 (name)

Date (year, month, day)  
 EDRPOU

Codes	
2023	12 31
44281999	

**Statement of Shareholders' Equity**  
 for the year ended 31 December 2023  
 Form 4

DKUD code  
 0406005

Item	Line code	Registered (share) capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (accumulated deficit)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	5 000	-	79 745	-	164 024	-	-	248 769
Adjusted balance at the beginning of the year	4095	5 000	-	79 745	-	164 024	-	-	248 769
Net profit (loss) for the reporting period	4100	-	-	-	-	917 537	-	-	917 537
Other changes in equity	4290	-	-	-	-	-	-	-	-
Changes in equity, total	4295	-	-	-	-	917 537	-	-	917 537
Balance at the end of the year	4300	5 000	-	79 745	-	1 081 561	-	-	1 166 306

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 December 2024

Chief Executive Officer

Chief Accountant

Artem Pohydaiev

Dina Myroniuk

Коди

**Limited Liability Company "Ukraine Tower Company"**  
**Statement of Shareholders' Equity**  
*(in thousands of Hryvnia)*

Company Limited Liability Company «Ukraine Tower Company»  
 (name)

**Statement of Shareholders' Equity**  
 for the year ended 31 December 2022

Form 4

DKUD code

0406005

Date (year, month, day)  
 2022 12 31  
 EDRPOU  
 44281999

Item	Line code	Registered (share) capital	Revaluation reserve	Additional capital	Reserve capital	Retained earnings (accumulated deficit)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	5 000	-	27	-	(26 656)	-	-	(21 629)
Adjusted balance at the beginning of the year	4095	5 000	-	27	-	(26 656)	-	-	(21 629)
Net profit (loss) for the reporting period	4100	-	-	-	-	190 680	-	-	190 680
Other changes in equity	4290	-	-	79 718	-	-	-	-	79 718
Changes in equity, total	4295	-	-	79 718	-	190 680	-	-	270 398
Balance at the end of the year	4300	5 000	-	79 745	-	164 024	-	-	248 769

Signed and authorised for issue on behalf of management of LLC "Ukraine Tower Company" on 19 December 2024

Chief Executive Officer

Artem Pohydaiev

Chief Accountant

Dina Myroniuk

**Limited Liability Company "Ukraine Tower Company"**  
**Notes to the Financial Statements - 31 December 2023**  
(in thousands of Hryvnia)

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## 1 Corporate information

These financial statements of Limited Liability Company "Ukraine Tower Company" (hereinafter referred to as the "Company") for the year 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The Company was registered in Ukraine on June 22, 2021, and is a resident of Ukraine. The Company is a limited liability company formed in accordance with the legislation of Ukraine.

As of December 31, 2022, and 2023, 100% of the ownership shares in the Company's capital are held by VEON Ukraine Tower Holdings B.V. The actual controlling party is VEON Ltd. (Bermuda).

**Main Activity.** The main activities of the Company in Ukraine are the leasing and operation of its own or leased passive telecommunications equipment, including masts, towers, containers, and others. The main lessee of the passive telecommunications equipment is PJSC "Kyivstar," which is an affiliated party of the Company.

**Legal Address and Place of Business Activity:** 53 Dehtyarivska St., Kyiv, 03113, Ukraine.

## 2 Operating environment, risks, political and economic conditions in Ukraine

On 24 February 2022, military forces from the Russian Federation commenced a full-scale invasion across the Ukrainian state, which had an impact on all areas of Ukrainian life and economy. Whilst the territories of Kyiv, Chernihiv, Sumy, Kharkiv and part of Kherson regions were occupied at the beginning of the war, they were subsequently liberated. As of 31 December 2023, Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions continued to be under occupation and active military actions are ongoing there. For additional details on the war's impact on the Company's assets and operations refer to Going concern section in Note 3 of these financial statements.

Ukrainian businesses located outside the main war zones started to show signs of recovery from April 2022. Since October 2022, Russia has targeted Ukraine's national energy infrastructure with missiles and combat drone strikes, causing widespread destruction, leading to a significant degradation in Ukraine's energy supply. The continued pressure on Ukraine's energy infrastructure results in scheduled and unscheduled power outages for both households and businesses.

Despite the ongoing war, following last year's nearly 30% decline, Ukraine's economy grew by almost 6% in 2023. The high adaptability of businesses and households to operate during wartime played a crucial role in this growth. Despite high risks, companies were not afraid to invest in their business development. Simultaneously, rocket attacks from Russia did not halt any sector of the economy: neither energy, metallurgy, nor agriculture. However, the situation remains tense and impacts not only the Ukrainian but also the global economy, making it challenging to forecast and assess its future impact and duration.

Ukraine entered 2023 with record-high inflation caused by war and currency emission to cover military costs. However, inflation was kept under control during the year: regular inflows of foreign macro-financial assistance to Ukraine allowed the government to halt monetary financing of the budget (through currency emission), and good harvests contributed to lower food prices. In December 2023, inflation was at 5.1%, nearly returning to the pre-war inflation target of 5%.

As at 1 January 2023, the official exchange rate stood at 36.6 UAH per USD. The exchange rate was significantly higher: 40.5 UAH per US dollar as at 1 January 2024.

To constrain price increases in Ukraine, as well as keep inflation under control, the NBU not only fixed the USD exchange rate, but also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividend payments being made to accounts abroad in foreign currencies. Due to all these restrictions, the UAH lacks exchangeability and is not freely convertible to hard currencies.

In December 2023, the maximum yields on government domestic bonds auctioned were 18.60% annually in UAH, 4.66% annually in USD, and 3.20% annually in EUR. The Ministry of Finance redeemed military government domestic bonds amounting to USD 167,0 million in December 2023.

Thanks to macro-financial support from partners, Ukraine has accumulated a significant amount of reserves. As of early December, they amounted to USD 38.8 billion, equivalent to 5.2 months of future imports.

**Limited Liability Company "Ukraine Tower Company"**  
**Notes to the Financial Statements - 31 December 2023**  
(in thousands of Hryvnia)

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## **2. Operating environment, risks, political and economic conditions in Ukraine (continued)**

The comfortable level of reserves, along with the continued attractiveness of UAH instruments and steady progress in reducing inflation, contributed to the decision to abandon the fixed exchange rate regime.

In 2023, the planned state budget deficit was higher than the last year's record high deficit. Excluding grants, it is expected to be around 30% of GDP, according to the NBU forecast. The main reason remains unchanged and it is substantial expenditures on security and defence. With ongoing war, the budget deficit will remain high next year as well. Under the Law of Ukraine "On the State Budget of Ukraine for 2024" the deficit is projected to reach 1.6 trillion UAH, approximately 20% of GDP. Simultaneously, there is a high probability of increased military needs. International macro-financial assistance will continue to play a crucial role in financing budgetary requirements. According to NBU estimates, its next year's volumes are expected to reach about USD 40 billion, consistent with 2023. However, there are increasing risks of irregular international support inflows. A significant portion of the planned financing for 2024 has not yet been approved by partners. Ukraine, for its part, fulfills its obligations under cooperation programs with the IMF and other donors to ensure timely receipt of financial assistance.

## **3. Key principles of accounting policy**

### ***Basis of preparation.***

The financial statements of the Company have been prepared on a historical cost basis.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Notes 4 and 5).

These financial statements are presented in UAH and all values are rounded to the nearest thousands, except when otherwise indicated.

### ***Statement of compliance***

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

In accordance with p.5 Article 121 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", all mandatory IFRS reporters should prepare and submit their financial statements based on the taxonomy of financial statements under IFRS in a single electronic format (referred to as "iXBRL"). As of the date of issuing these financial statements, the 2023 UA XBRL IFRS taxonomy has not been published yet and the process for submitting 2023 financial statements in the single electronic format has not been initiated yet by the National Securities and Stock Market Commission. Management of the Company is planning to prepare the iXBRL report and submit when it will be possible.

### ***Going concern***

As of December 31, 2023, the Company's current liabilities exceed its current assets by UAH 578,260 thousand (December 31, 2022: the Company's current assets exceeded its current liabilities by UAH 899,007 thousand). At the same time, the net cash flow from operating activities for 2023 was UAH 1,344,303 thousand (for 2022: UAH 662,516 thousand). The net profit of the Company for 2023 was UAH 917,537 thousand (2022: profit of UAH 190,680 thousand).

Despite the fact that the Company's current liabilities exceed its current assets by UAH 578,260 thousand as of December 31, 2023, the actual net cash flow from operating activities for January–February 2024 exceeds the amount of the current liquidity deficit as of December 31, 2023. However, due to additional investment expenditures as of the date of this report, there remains a current liquidity deficit, which the Company expects to fully close through operating cash inflows within the next 12 months.

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### 3. Key principles of accounting policy (continued)

As stated in Note 2, the Company continues its operations and adapted to operations in war conditions. The main highlights that affect Company's operations during or after the invasion are as follows:

- **Control over assets.** As at the date of the issue of this financial report, no critical assets preventing the Company from continuing operations have been damaged. However, approximately 5% of the total number of base radio stations, which constitute a major component of the property, plant, and equipment, were located in temporarily occupied regions (primarily in Donetsk, Luhansk, Kherson, and Kharkiv oblasts) and were not operational. As of December 31, 2023, the Company recognized a provision for impairment of these property, plant, and equipment objects in the amount of approximately UAH 59 million.

Simultaneously, the management is taking measures aimed at restoring network coverage, conducting necessary technical and repair works to the fullest extent possible, including the restoration of base stations and other equipment in liberated regions.

- **Impact on customers and revenues.** Despite the negative consequences associated with the temporarily occupied regions, and taking into account the specifics of the Company's operations (a large number of base stations placed throughout Ukraine and a main customer with a stable financial position), the negative impact on the Company's revenue is minimal. However, there remains significant uncertainty regarding further escalation of military actions, which could have a substantial impact on the Company's operations, revenue, and overall financial results.

Although the Company's operations have not yet experienced a significant impact, the future course of the military invasion, its duration, and its short-term and long-term effects on the Company, its personnel, operations, liquidity, and assets represent factors of significant uncertainty. Given the numerous scenarios for further developments with an unknown probability, the impact on the Company may range from significant to adverse.

To analyze the impact of circumstances and support the Company's ability to continue as a going concern, the management has prepared an updated cash flow forecast for the period up to December 31, 2027, based on the expectation that the intensity of military action and the extent of the territories in Ukraine affected by the Russian invasion will not significantly increase relative to the current situation, and that the main user of the Company's services will continue its operational activities. According to this forecast, the Company will not face liquidity gaps in any of the projected periods and will be able to meet its obligations.

Considering the factors above Management concluded that despite current circumstances and impact described above the Company is able to continue as a going concern and the application of the going concern assumption for the preparation of these financial statements is appropriate.

However, the developments of ongoing military offensive of the Russian Federation including their magnitude, intensity or the potential timing of the cessation of those actions are uncertain. The unpredictability of the further war development and its potentially significant magnitude represent a material uncertainty which may cast significant doubt about the ability of the Company to continue as going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Despite the single material uncertainty relating to the war in Ukraine, management expects that the Company has sufficient resources to manage the business for the next twelve months from the date of these financial statements issue. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

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#### 4. New or revised standards and interpretations

For the purposes of the preparation of the financial statements, the Company has applied new IFRS standards, amendments to IFRS standards and interpretations issued by the IASB Board and effective for the period beginning on 1 January 2023, or later:

- IFRS 17 – Insurance Contracts and Amendments to IFRS 17
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules

At the date of authorization of the financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

	<i>Effective date</i>
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7	1 January 2026

The Company does not expect that the adoption of the Standards listed above will have a material impact on the financial statements.

#### 5. Material accounting policies

##### Functional and presentation currencies

The functional and presentation currency of the Company is Ukrainian Hryvnia, the currency of the primary economic environment in which the Company operates.

##### Foreign currency translation

Monetary assets and liabilities are translated into the functional currency of the Company at the official exchange rate of the National Bank of Ukraine ("NBU") at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Company's functional currency at the end of the reporting period at the official exchange rates of the NBU are recognised in profit or loss for the year as foreign currency translation gains less losses. Translation at period-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2023 and 2022, the principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2023, UAH	31 December 2022, UAH
1 Euro (EUR)	42,208	38,951

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary items at exchange rates different from those used to translate monetary items upon initial recognition during the current or prior reporting periods are recognised in profit or loss as originated, except for foreign exchange differences recognised in comprehensive income.

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### 5. Material accounting policies (continued)

Foreign exchange gains and losses resulting from the translation of monetary items (other than cash and cash equivalents) in a foreign currency at the end of the reporting period are shown in unrealised foreign exchange differences. Upon settlement of the monetary items (cash payments or receipts), all previously accumulated unrealised foreign exchange differences arising during the period from initial recognition to the settlement of the monetary item are recorded as realised foreign exchange differences. Foreign exchange gains and losses resulting from the translation of cash and cash equivalents in a foreign currency are always shown in realised foreign exchange differences.

Foreign exchange gains and losses resulting from the translation of monetary items related to investing and financing activities are shown in non-operating foreign exchange differences. These include amounts payable on loan agreements, deposits with the contractual maturity in excess of three months, accounts payable (receivable) on property, plant and equipment and intangible assets, loans issued to employees etc.

Foreign exchange gains and losses resulting from the translation of monetary items other than those related to investing and financing activities are included in operating foreign exchange differences.

#### Amendment of the financial statements after issue

Any changes to these financial statements after issue require approval of the Company's management who authorised these financial statements for issue.

#### Revenue recognition and measurement

Revenue is income arising in the course of the Company's ordinary activities.

The Company classifies lease agreements as operating leases and recognises accruals under lease agreements in the statement of profit or loss as net revenue from sales of goods, works, and services.

This decision is based on the following factors:

- (i) Under the terms of the lease agreement, the assets do not transfer to the customer at the end of the lease term.
- (ii) The lease agreement does not include a purchase option for the assets.
- (iii) The majority of the economic useful life of the assets exceeds the lease term.
- (iv) The fair value of the underlying assets exceeds the present value of the lease payments.
- (v) The underlying assets are not specialised and can be used by other lessees for their purposes.

The cost of the Company's services is determined based on the established lease payment rate. Revenue under contracts with customers is recognised monthly, based on the Acceptance and Handover Act, which specifies the calculated lease payment amount for the given month to be paid to the Company according to the rates stipulated in the agreement between the Company and the customer.

*A separate component of the contract is compensation for utility services*

The Company classifies compensation for utility services as a separate non-lease component and accounts for it in accordance with IFRS 15. The consideration related to the reimbursement of services is recognised by the Company on a net basis, excluding similar expenses, as the Company acts as an agent.

#### Changes in accounting policies regarding the classification of compensation for utility services

In 2023, the Company changed its approach to reflecting a separate lease contract component related to the reimbursement of utility expenses, transitioning from accounting under IFRS 16 to accounting under IFRS 15. These changes have been applied retrospectively in this financial report for the year ended 31 December 2023.

The impact of retrospective adjustments on the Statement of Financial Results for the period ended 31 December 2022 is presented as follows:

<b>In thousands of Hryvnia</b>	<b>Line code</b>	<b>2022 (previously reported)</b>	<b>Adjustment</b>	<b>2022 (restated)</b>
Net revenue from sales of goods, works, and services	2000	1 231 871	(111 243)	1 120 628
Cost of sales of goods, works, and services	2050	(536 443)	111 243	(425 200)

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## **5. Material accounting policies (continued)**

Since the retrospective application of changes in accounting policies in this case does not affect the opening balances of the comparative period, a third Statement of Financial Position has not been presented.

### **Expense recognition and measurement**

The Company recognises expenses upon outflow of future economic benefits from decrease in an asset or increase in a liability that can be measured reliably.

The Company classifies its expenses by functional group: cost of sales of goods, works and services, administrative expenses, selling expenses, other operating expenses, financial expenses and other expenses.

The Company applies the classification of expenses by element according to their economic substance (such as depreciation/amortisation, payroll, repairs etc), which is disclosed in the notes to these financial statements.

The cost of materials and services comprises the cost of materials and services realised during the reporting period, and unallocated fixed general productions costs. The cost includes: direct material, direct labor and other direct expenses, and general production costs. The cost includes the following (the list is not exhaustive): rental and electricity costs for telecommunication network sites, network maintenance costs, personnel costs for the technical function, and other direct expenses.

Administrative expenses are general business expenses associated with management and maintenance of the Company's operations. Administrative expenses include the following (the list is not exhaustive): professional services, banking charges, provisions and other expenses related to maintenance of the Company's operations.

Selling expenses are expenses related to sales (distribution) of the Company's goods and services. Selling expenses include the following (the list is not exhaustive): payroll and other employee benefits of selling units etc.

Other operating expenses are the Company's expenses not included in the cost of sales, administrative expenses, selling expenses, financial expenses and corporate profit tax expenses but associated with the Company's operating activity. Other operating expenses include the following (the list is not exhaustive): provisions for expected credit losses, other provisions, fines and penalties, operating foreign exchange differences, membership fees to professional associations, charitable contributions, cost of disposal of property, plant and equipment, intangible assets, impairment of non-current assets and decommissioning of unusable fixed assets

Financial expenses result from finance raising transactions including finance leases, and from accounting for financial assets or financial liabilities at discounted (amortised) cost.

Other expenses are the Company's expenses not related to its operating activities. These include expenses resulting from unusual events not inherent in the Company's operations like non-operating foreign exchange differences and other non- operating expenses.

### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs are capitalised. Depreciation is calculated to reduce the cost of assets, other than land, to their estimated residual value, if any, over their estimated useful lives. Depreciation commences when the assets are ready for their intended use.

Repair and maintenance are capitalised in case significant improvement of assets is in place, which brings new functionality and could result in increased useful life of an asset. Current repair and maintenance is expensed as incurred. If new parts are capitalised, replaced parts are derecognised and any remaining net book value is recorded as loss on disposal.

When the expected cost of decommissioning of an asset after its use is material to the financial statements, the present value of the expected cost of decommissioning of an asset after its use is included into the cost of the respective asset, if the recognition criteria for a provision are met. Subsequent increases in decommissioning liability as a result of change in assumptions (i.e. discount rate, period until dismantling, cost of dismantling etc.) are recognised in the additions to property, plant and equipment. Subsequent decreases in decommissioning liability as a result of change in assumptions are recognised in disposal of property, plant and equipment.

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**5. Material accounting policies (continued)**

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Group of property, plant and equipment	Useful life of new fixed assets (years)	Useful life of non-current assets acquired from PJSC Kyivstar (years).
Machinery and equipment (including masts, towers, containers, and other related assets).	8-20	3-10
Tools, instruments, and inventory (furniture).	5	-

Depreciation method, estimated useful life and residual value are evaluated at least annually and adjusted prospectively, if appropriate. Residual value is estimated to be zero for most of the assets, as the Company expects to use these assets for their entire economic life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year when the item is derecognised.

Leasehold improvements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

**Construction in progress**

The construction-in-progress items are capitalised as a separate element of non-current assets and are stated at cost less any accumulated impairment losses. On completion, the constructed asset at its cost less accumulated impairment loss is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated.

*Uninstalled equipment*

Uninstalled equipment is equipment purchased by the Company but not put into operation and is stated at cost less any accumulated impairment losses. Uninstalled equipment is not depreciated.

**Right-of-use assets**

The Company leases locations for passive telecommunication equipment, various buildings, structures and transmission devices, offices, as well as vehicles. Contracts may include both lease components and non-lease components. The Company allocates the contract consideration between lease and non-lease components based on their relative standalone selling prices. However, for real estate leases where the Company acts as a lessee, it has opted not to separate the lease components and non-lease components, instead recognizing them as a single lease component.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs..

The Company calculates depreciation of right-of-use assets using the straight-line method over the lease term as follows:

Group of right-of-use assets	Lease term (years)
Buildings, constructions and transmission equipment	7
Vehicles	2-5

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## 5. Material accounting policies (continued)

### Lease term reassessment

The Company performs revision of lease terms, or reassess options included in the lease term only upon the occurrence of certain triggers. These are events or changes in circumstances Company considers may lead to a reassessment:

- significant CAPEX on or within the underlying asset;
- significant rollout of new technologies;
- commencing internal/external discussions regarding extension/termination option not previously included in the lease term;
- consolidation of tower sites that might change the expected use of surrounding sites and impact the assessment of extension and termination options;
- other full or partial replacement of equipment for signal amplification.

For all leases, a revision of the lease term would only occur due to changes in the non-cancellable period, or assessments of extension and termination options – but this assessment can only take place if there has been a significant event or change in circumstances.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. Substantial period of time is project with construction period of 6 month or more. All other borrowing costs are expensed in the period they occur included to financial expenses. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

### Inventories

Inventories are stated at the lower of cost and net realisable value for items to be sold as separate goods. Inventories intended for sale as part of a multiple-component transaction, resulting in expected net income for the Company, are valued at cost even if the sale price of inventories is lower than their cost. The cost of inventories consumed is determined using the weighted average cost method.

### Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses of continuing operations are recognised in profit and loss.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Based on the specifics of the Company's operations, the management concluded that the Company has one cash generating unit, which is the Company's network.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss. After such a reversal the depreciation charge is adjusted in future

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## 5. Material accounting policies (continued)

periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*Amortised cost ("AC")* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

### Financial instruments – initial recognition

Financial instruments at fair value through profit and loss (FVTPL) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income (FVTOCI), resulting in an immediate accounting loss.

## 5. Material accounting policies (continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

### Financial assets – classification and subsequent measurement – measurement categories

The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. The Company's financial assets include cash and cash equivalents, trade and other receivables, other financial assets all of which are classified as AC in accordance with IFRS 9.

### Financial assets – classification and subsequent measurement – business model

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

The Company's business model for financial assets is to collect the contractual cash flows from the assets ("hold to collect contractual cash flows").

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with the basic lending arrangements, i.e. interest includes only considerations for credit risk, time value of money, other basic lending risks and profit margin. The SPPI assessment is performed on initial recognition of an asset and is not subsequently reassessed.

### Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

### Financial assets impairment – credit loss allowance for ECL

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired, the ECL is always measured as a Lifetime ECL.

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## **5. Material accounting policies (continued)**

### **Financial assets – write-off**

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

### **Financial assets - derecognition**

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners. If the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

### **Financial liabilities – measurement categories**

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g., short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

The Company's financial liabilities include trade and other payables, other financial liabilities, borrowings all of which are classified as AC in accordance with IFRS 9.

### **Financial liabilities – derecognition**

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

### **Borrowings**

Borrowings include long- and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method.

### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

### **Trade and other payables**

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

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## 5. Material accounting policies (continued)

### Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- ▶ fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- ▶ variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- ▶ amounts expected to be payable by the Company under residual value guarantees,
- ▶ the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- ▶ payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Extension and termination options are included in a number of lease agreements for buildings, structures, and land plots hosting elements of passive telecommunication infrastructure.

These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Extension options (or the period following the date specified by termination options) are included in the lease term only if there is sufficient certainty that the lease will be extended (or not terminated). Lease payments under extension options are also included in the measurement of the lease liability if there is sufficient certainty that the lease will be extended.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

To determine the incremental borrowing rate, the Company:

- ▶ uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- ▶ makes adjustments specific to the lease, e.g., term, country, currency and collateral.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### Employee benefits

The Company makes defined contributions to the State Pension Fund at the relevant statutory rates in force during the year, based on gross salary payments; such an expense is charged in the period when the related salaries are earned.

### Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

### Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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## 5. Material accounting policies (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; and;
- ▶ taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses carried forward, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses carried forward can be utilised, except:

- ▶ when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss;
- ▶ in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Value added tax

Revenues, expenses and assets are recognised net of value added tax (VAT) except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed in the notes to the financial statements.

### Current/non-current classification

An asset/liability is classified as current, when it is expected to be realised (settled) or is intended for sale or consumption within 12 months after the reporting date. Other assets/liabilities are classified as non-current. Financial instruments are classified based on expected life. Deferred tax assets are classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months (92 days) or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

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## **5. Material accounting policies (continued)**

### **Provisions and reserves**

Provisions and reserves are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **Contingent assets and liabilities**

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

### **Events after the reporting period**

Events after the reporting period that provide additional information on the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

### **Transactions with the ultimate parent and entities under common control**

Transactions between unrelated parties are presumed to be exchanges of equal fair values. When the Company is engaged in transactions with the ultimate parent and entities under common control, where there is no presumption of equal fair values, and IFRS require the transaction to be recognised at fair value, the Company accounts for the difference between fair value and the amount of such transaction directly in equity as distribution to or contribution from shareholders, in accordance with its economic substance.

## **6. Critical accounting judgements and key sources of estimation uncertainty**

### **Key sources of estimation uncertainty - critical accounting estimates**

Certain amounts included in or affecting the financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared.

A critical accounting estimate is one, which is both important to the portrayal of the Company's financial condition and results and requires management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods, which management considers reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future. However, uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of an asset or liability affected in the next 12 months.

### **Depreciation and amortisation**

Depreciation and amortisation methods are based on management estimates of the expected useful lives of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful lives and in the amortisation or depreciation charges. Some technological developments are difficult to predict and the Company's views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Company invested several years ago, are still in use and provide the basis for the new technologies.

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## 6. Critical accounting judgements and key sources of estimation uncertainty (continued)

The useful lives of property, plant and equipment and intangible assets are reviewed at least annually taking into consideration the factors mentioned above and all other important factors. In case of significant changes in estimated useful lives, depreciation and amortisation charges are adjusted prospectively.

### Depreciation of right-of-use assets

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Details of judgements applied for lease term determination are disclosed in paragraph "Extension and termination options".

### Extension and termination options

Extension and termination options are included in a number of buildings, constructions and transmission equipment leases that accommodate elements of the passive telecommunications infrastructure across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For lease term determination, the following factors are normally the most relevant:

- ▶ If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- ▶ otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### Sensitivity analyses

The lease term is limited by the reasonably certain period, which is determined based on useful life of the core equipment.

The following table demonstrates the impact on the carrying amount of lease liabilities and right-of-use assets in case if estimated lease term of the Company's lease agreements differs from management's estimates:

<b>31 December 2023</b>	<b>Increase/(decrease) in years</b>	<b>Increase/ (decrease) in balances</b>
Lease liabilities/ Right-of-use assets	+ 1 year	220 094
Lease liabilities/ Right-of-use assets	- 1 year	(246 341)
<b>31 December 2022</b>	<b>Increase/(decrease) in years</b>	<b>Increase/ (decrease) in balances</b>
Lease liabilities/ Right-of-use assets	+ 1 year	185 235
Lease liabilities/ Right-of-use assets	- 1 year	(205 488)

### Impairment of non-financial assets

The Company has made significant investments in property, plant and equipment, construction in progress and intangible assets. These assets are tested for impairment when circumstances indicate there may be a potential impairment.

rental of buildings  
 interest income

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## 6. Critical accounting judgements and key sources of estimation uncertainty (continued)

Factors considered important which could trigger an impairment evaluation include the following: significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy for the Company's overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must in part be based on management's evaluations, including determining appropriate cash generating units, estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods. Additional information about loss on impairment of property, plant and equipment, construction in progress, intangible assets and assets of disposal group classified as held for sale is disclosed in Note 8, Note 19 and Note 22.

### Decommissioning provision for assets

The Company uses a period of 30 years to calculate the decommissioning provision for assets, which, in the opinion of the Company's management, reflects the expected lifecycle of the technology used to accommodate transmission equipment (Note 16).

### Interest-free repayable financial assistance from entities under common control

The Company recognizes the difference between the nominal amount of received short-term interest-free repayable financial assistance and its fair value within other changes in equity, as it is considered the result of a transaction with a related party (Notes 7, 17).

### Lease liabilities

The Company's management considers the recognition of lease liabilities as of 31 December 2023 for locations that house elements of the passive telecommunications infrastructure situated in temporarily occupied territories of Ukraine to be reasonable. This is because the Company deemed and continues to deem the lease agreements valid and had no practical possibility to terminate them or otherwise avoid payment of the respective lease obligations. As of 31 December 2023, the amount of lease liabilities related to assets located in the occupied territories is approximately 58,020 thousand Hryvnia. This amount is included in the total lease liabilities as of 31 December 2023. Details regarding the impairment of related right-of-use assets are disclosed in Note 19 and Note 22.

## 7. Related party disclosure

For the year ended as at 31 December 2023 and 2022, income and expenses with related parties were as follows:

	31 December 2023	31 December 2022
	Entities under common control	Entities under common control
Trade and other receivables	220 903	172 383
Trade and other payables	(435 978)	(301 646)
Lease obligations for vehicles	(10 016)	(1 670)
Other current liabilities	(5 320)	(450 664)
<b>Total</b>	<b>(230 411)</b>	<b>(581 597)</b>

Transactions with related parties were on contractual terms.

#### *Terms and conditions of transactions with related parties*

Outstanding balances with related parties at the year-end are unsecured and settlement occurs in cash. Outstanding balances with related parties are interest free

Trade payables to companies under common control includes liabilities for fixed assets, consulting services, rental of buildings, audit of base stations, and technical support. Trade payables to related parties are non-interest bearing and are settled as part of the normal operating cycle.

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## 6. Critical accounting judgements and key sources of estimation uncertainty (continued)

### Other current liabilities

During 2022, Ukraine Tower Company received a short-term non-interest-bearing financial assistance from Kyivstar, a related company under common control, amounting to 530,000 thousand UAH. At the time of receipt, it was assessed at fair value by discounting the contractual cash flows at a rate of 18%, corresponding to the market interest rate for similar financial instruments. The difference of 79,718 thousand UAH between the nominal value of the received short-term non-interest-bearing financial assistance and its fair value was recorded in other comprehensive income, as it is considered a result of a transaction with a related party under common control initiated by the owner acting in accordance with his capacity as owner. If the outcome of this transaction were considered to have commercial substance, it would be reflected in the statement of comprehensive income.

### Revenues and trade receivables

In 2023, the Company provided rental services to PJSC "Kyivstar," a related party, totaling 1,817,628 thousand Hryvnias (in 2022, the amount was 1,106,914 thousand Hryvnias).

Trade receivables from related parties as of December 31, 2023 and December 31, 2022 are interest-free, unsecured, and settled in the ordinary course of business. Below are the income, expense, and acquisition of non-current assets from transactions with related parties for 2023 and 2022:

	<b>2023</b>	<b>2022</b>
	<b>Entities under common control</b>	<b>Entities under common control</b>
Sales of goods and services	1 817 628	1 106 914
Consulting services and services from external specialists	(19 047)	(21 606)
Other operating expenses	(17 599)	(3 296)
Other income	244	112
Acquisition of non-current assets	(205 310)	(495 544)
Financial expenses	(1 086)	(313)

### Acquisition of non-current assets, Consulting expenses, Other expenses and Trade payables

Consulting and other expenses include consulting services, building rental services, base station audits, and technical maintenance provided by companies under joint control.

### Compensation to management personnel

As of December 31, 2023, the key management personnel of the Company consisted of 7 top executives (in 2022 – 7 top executives).

For the years ended 31 December total compensation to key management personnel included in salaries and personnel costs comprised:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	13 481	9 836
Accrual/reversal of long-term incentive plan for management	-	2 320
<b>Total compensation to key management personnel</b>	<b>13 481</b>	<b>12 156</b>

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**8. Property, plant and equipment**

The movement of property, plant and equipment during 2023 is as follows:

Groups of property, plant and equipment	Line code	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year		Including			
		Cost or valuation	Accum. depr. c'n		Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n			Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Buildings, constructions and transmission equipment*	120	15 792	2 212	3 186	-	-	-	-	2 647	-	-	-	18 978	4 859	18 978	4 859	-	-
Machinery and equipment*	130	2 879 983	474 458	1 009 280	-	-	24 937	1 966	443 861	(33 086)	2 485**	-	3 866 811	883 267	2 164 674	564 928	-	-
Vehicles*	140	4 410	2 819	12 625	-	-	4 410	4 166	4 377	-	-	-	12 625	3 030	12 625	3 030	-	-
Tools, fittings and furniture	150	1 033	55	2 214	-	-	-	-	442	-	-	-	3 247	497	-	-	-	-
<b>Total</b>	<b>260</b>	<b>2 901 218</b>	<b>479 544</b>	<b>1 027 305</b>	<b>-</b>	<b>-</b>	<b>29 347</b>	<b>6 132</b>	<b>451 327</b>	<b>(33 086)</b>	<b>2 485</b>	<b>-</b>	<b>3 901 661</b>	<b>891 653</b>	<b>2 196 277</b>	<b>572 817</b>	<b>-</b>	<b>-</b>

The movement of property, plant and equipment during 2022 is as follows:

Groups of property, plant and equipment	Line code	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year		Including			
		Cost or valuation	Accum. depr. c'n		Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n			Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n	Cost or valuation	Accum. depr. c'n
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Buildings, constructions and transmission equipment*	120	8 457	234	7 335	-	-	-	-	1 978	-	-	-	15 792	2 212	15 792	2 212	-	-
Machinery and equipment*	130	1 544 228	21 913	1 377 772	-	-	2 075	287	314 262	138 570	(39 942)**	-	2 879 983	474 458	1 817 368	307 879	-	-
Vehicles*	140	3 650	182	760	-	-	-	-	2 637	-	-	-	4 410	2 819	4 410	2 819	-	-
Tools, fittings and furniture	150	-	-	1 033	-	-	-	-	55	-	-	-	1 033	55	-	-	-	-
<b>Total</b>	<b>260</b>	<b>1 556 335</b>	<b>22 329</b>	<b>1 386 900</b>	<b>-</b>	<b>-</b>	<b>2 075</b>	<b>287</b>	<b>318 932</b>	<b>138 570</b>	<b>(39 942)</b>	<b>-</b>	<b>2 901 218</b>	<b>479 544</b>	<b>1 837 570</b>	<b>312 910</b>	<b>-</b>	<b>-</b>

\* "Buildings, structures, and transmission equipment," "Machinery and equipment," and "Vehicles" include right-of-use assets recognized as a result of the introduction of IFRS 16 "Leases." The category "Machinery and equipment" mainly consists of assets that are leased out. Refer Note 9.

\*\* Provision for asset retirement obligations. Refer Note 16.

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Receipts for the years 2023 and 2022 are represented by assets transferred from the category of construction in progress.

The management determined that military aggression (Refer Note 2) is an indicator of potential impairment of property, plant, and equipment as of December 31, 2023, and conducted an impairment test. The test considers significant increases due to national risks inherent to the country from the ongoing war (typically leading to increased discount rates), but its full impact is offset by available reserves. Thus, management concluded that as of December 31, 2023, there was no impairment of property, plant, and equipment based on the impairment test conducted at the cash-generating unit level.

A reasoned change in the assumptions used for the impairment test does not result in an impairment of property, plant and equipment.

During 2023, the Company reduced the impairment reserve by UAH 3,985 thousand for property, plant and equipment and impairment losses in the form of right-of-use assets by UAH 29,101 thousand. The reversal of the reserve was made due to de-occupation and restoration of property and equipment.

The group "Buildings, constructions, and transmission equipment" includes right-of-use assets according to IFRS 16, specifically the Company's leased offices. The group "Machinery and equipment" comprises radio equipment, masts and towers, energy-saving equipment, and right-of-use assets according to IFRS 16. The group "Vehicles" includes right-of-use assets according to IFRS 16, specifically leased vehicles.

## 9. Right-of-use assets and lease liabilities

The Company leases various buildings and land used for placing transmission equipment, as well as vehicles. Lease agreements are typically entered into for fixed periods ranging from 6 months to 7 years, but may include options for lease extension.

The Company recognizes a lease as a right-of-use asset, reflecting the corresponding liability, starting from the date when the leased asset becomes available for the Company's use. Movement of right-of-use assets for the years 2023 and 2022:

	<b>Buildings, constructions and transmission equipment</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b>Carrying amount as of December 31, 2021</b>	<b>8 223</b>	<b>1 034 370</b>	<b>3 468</b>	<b>1 046 061</b>
Additions	7 335	766 738	760	774 833
Disposals	-	(1 779)	-	(1 779)
Depreciation charges	(1 978)	(213 860)	(2 637)	(218 475)
Impairment reserve for right-of-use assets	-	(75 980)	-	(75 980)
<b>Carrying amount as of December 31, 2022</b>	<b>13 580</b>	<b>1 509 489</b>	<b>1 591</b>	<b>1 524 660</b>
Additions	3 186	371 447	12 625	387 258
Disposals	-	(22 271)	(244)	(22 515)
Depreciation charges	(2 647)	(288 020)	(4 377)	(295 044)
Impairment reserve for right-of-use assets	-	29 101	-	29 101
<b>Carrying amount as of December 31, 2023</b>	<b>14 119</b>	<b>1 599 746</b>	<b>9 595</b>	<b>1 623 460</b>

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Right-of-use assets as of December 31, 2023, and December 31, 2022, are included in the "Property, plant and equipment" category. Refer Note 8.

The Company recognised lease liabilities as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Short-term lease liabilities (Refer Note 17)	437 301	356 491
Long-term lease liabilities	1 406 231	1 309 561
<b>Total lease liabilities</b>	<b>1 843 532</b>	<b>1 666 052</b>

Interest expenses included in financial expenses for 2023 amounted to 208,071 thousand UAH (143,558 thousand UAH for 2022).

Expenses related to short-term leases of land and buildings, as well as contracts with unspecified lease assets, included in general and administrative expenses for 2023, amounted to 3,033 thousand UAH (3,433 thousand UAH for 2022).

The total amount of lease payments, excluding interest payments, for 2023 amounted to 184,796 thousand UAH (152,806 thousand UAH for 2022).

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10. Intangible assets

The movement in intangible asset items for 2023 was as follows:

Groups of intangible assets	Line code	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year	
		Cost or valuation	Accum. depreciation		Cost or valuation	Accum. depreciation	Cost or valuation	Accum. depreciation			Cost or valuation	Accum. depreciation	Cost or valuation	Accum. depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Other intangible assets	70	-	-	19 154	-	-	-	-	1 596	-	-	-	19 154	1 596
Total	80	-	-	19 154	-	-	-	-	1 596	-	-	-	19 154	1 596

During 2022, the Company did not have any intangible assets on its balance sheet. During 2023, the Company acquired licenses for the use of Oracle e-Business Suite software for UAH 19,154 thousand. The remaining useful life is 55 months.

11. Construction-in-progress

The capital investments in progress for 2023 is as follows:

Groups of construction-in-progress	Line code	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year	Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year		
		Cost or valuation	Accum. depreciation		Cost or valuation	Accum. depreciation				Cost or valuation	Accum. depreciation	Cost or valuation	Accum. depreciation	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Capital construction	280	12 827	-	481 242	-	-	-	-	-	-	(411 154)	-	82 915	-
Acquisition (production) of property, plant and equipment	290	-	-	205 310	-	-	-	-	-	-	(203 905)	-	1 405	-
Acquisition (manufacturing) of other non-current tangible assets	300	1 981	-	15 709	-	-	-	-	-	-	(13 381)	-	4 309	-
Total	340	14 808	-	702 261	-	-	-	-	-	-	(628 440)	-	88 629	-

\* "Other changes for the year" include the movement between the items "Construction-in-progress" and "Property, plant and equipment" (Refer Note 8).

The capital investments in progress for 2022 is as follows:

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Groups of construction-in-progress	Line code	Balance at the beginning of the year		Additions in the year	Revaluation (appreciation +, impairment -)		Disposals in the year		Depreciation charge for the year	Impairment loss	Other changes for the year		Balance at the end of the year	
		Cost or valuation	Accum. deprec'		Cost or valuation	Accum. deprec'	Cost or valuation	Accum. deprec'			Cost or valuation	Accum. deprec'	Cost or valuation	Accum. deprec'
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Capital construction	280	1 872	-	121 772	-	-	-	-	-	-	(110 817)	-	12 827	-
Acquisition (production) of property, plant and equipment	290	-	-	495 544	-	-	-	-	-	-	(495 544)	-	-	-
Acquisition (manufacturing) of other non-current tangible assets	300	-	-	3 246	-	-	-	-	-	-	(1 265)	-	1 981	-
<b>Total</b>	<b>340</b>	<b>1 872</b>	<b>-</b>	<b>620 562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(607 626)</b>	<b>-</b>	<b>14 808</b>	<b>-</b>

\* "Other changes for the year" include the movement between the items "Construction-in-progress" and "Property, plant and equipment" (Refer Note 8).

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## 12. Trade and other receivables

Trade and other receivables consisted of the following as at 31 December:

	31 December 2023	31 December 2022
Trade receivables for rental services	240 687	175 839
Accounts receivable for accrued income	804	266
<b>Total financial assets in trade and other receivables</b>	<b>241 491</b>	<b>176 105</b>
Advances issued	5 440	2 027
Other settlement with the budget	10 772	64 466
Impairment reserve for advances issued	(307)	(79)
<b>Total</b>	<b>257 396</b>	<b>242 519</b>

The "other settlement with the budget" as at 31 December 2022 mainly consisted of the amount of VAT tax credit – 47,128 thousand UAH, the amount of VAT tax credit for unreceived tax invoices – 17,307 thousand UAH, and other settlement with the budget. In December 2021, the Company claimed VAT refund amounting to 62,081 thousand UAH. In 2023, the Company received a budget refund of VAT in the amount of 61,456 thousand UAH.

As at 31 December 2023 and 31 December 2022, trade and other receivables are in UAH, interest-free, and are settled as part of the Company's normal business activities.

The amount of trade receivables for the provision of rental services as at 31 December 2023 related to one counterparty represented 92% (as at 31 December 2022, it was 98%).

The Company applies the simplified approach for creating expected credit loss reserves as specified by IFRS 9, which allows the use of a reserve for expected losses over the life of the instrument for all assets in the "Trade Receivables from Main Operations" category. To assess the expected credit loss, trade receivables from main operations are grouped according to common characteristics of credit risk and aging. As at 31 December 2023 and 31 December 2022, the Company had no overdue trade receivables (up to 30 days), hence no reserve for credit risks for trade receivables was created. As at 31 December 2023, an analysis was conducted regarding the presence of objective evidence of impairment for advances given. Based on the analysis, a reserve for doubtful debts was recognized for advances given in the amount of 307 thousand UAH and for advances for non-current assets included in other non-current assets in the amount of 4,273 thousand UAH (as at 31.12.2022 – advances given amounted to 79 thousand UAH).

## 13. Cash and cash equivalents

Cash and cash equivalents consist of the following as at 31 December:

	31 December 2023	31 December 2022
Cash at banks	320 310	108 918
<b>Total</b>	<b>320 310</b>	<b>108 918</b>

As at 31 December cash at banks is denominated in the following currencies:

	31 December 2023	31 December 2022
UAH	269 661	62 177
EUR	50 649	46 741
<b>Total</b>	<b>320 310</b>	<b>108 918</b>

In 2023, interest income was accrued on cash at banks at fixed rates ranging from 0% to 5% per annum (in 2022 – from 0% to 5% per annum).

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#### 14. Equity

As at 31 December, the data on equity is as follows:

	31 December 2023	31 December 2022
Registered (share) capital	5 000	5 000
Retained earnings (accumulated deficit)	1 081 561	164 024
Other additional capital	79 745	79 745
<b>Total</b>	<b>1 166 306</b>	<b>248 769</b>

As at 31 December 2023 and 31 December 2022, the registered share capital was fully paid.

The other additional capital was formed from the differences between the nominal amount received from a related party under common control as short-term interest-free repayable financial assistance and its fair value (refer to Note 7 and Note 26).

#### 15. Trade and other payables

As at 31 December, trade and other payables comprised the following:

	31 December 2023	31 December 2022
Equipment and construction works	571 221	334 534
Electricity	38 265	22 975
Rent	-	14 828
Technical maintenance	10 643	7 482
Cost of consulting and other professional services	15 124	4 935
Other payables	2 739	1 482
<b>Total financial trade and other payables within the trade and other payables, presented at amortized cost.</b>	<b>637 992</b>	<b>386 236</b>

Trade payables for equipment and construction works, technical services, consulting, and other professional services amounting to UAH 435,978 thousand are payable to related parties (Note 7).

As at 31 December trade and other payables is denominated in the following currencies:

	2023	2022
EUR	10 297	-
UAH	627 695	386 236
<b>Total</b>	<b>637 992</b>	<b>386 236</b>

As at 31 December 2023 and 31 December 2022, trade and other payables were non-interest-bearing and settled in the ordinary course of the Company's business activities.

As at 31 December 2023, the amount of trade and other payables was 67% related to one counterparty (as at 31 December 2022 - 78%).

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## 16. Provisions

The movement in provisions is as follows:

	Decommissioning	Long-terms incentive to management	Other	Total
<b>As at 31 December 2021</b>	<b>49 569</b>	<b>-</b>	<b>1 649</b>	<b>51 218</b>
Arising during the year	52 136	2 320	26 181	80 637
Utilised	(171)	-	(6 126)	(6 297)
Change in estimates	(92 078)	-	-	(92 078)
Discount rate adjustment	3 070	-	-	3 070
<b>As at 31 December 2022</b>	<b>12 526</b>	<b>2 320</b>	<b>21 704</b>	<b>36 550</b>
Current	-	-	21 704	21 704
Non-current	12 526	2 320	-	14 846
Arising during the year	2 705	-	19 206	21 911
Utilised	(53)	-	(14 523)	(14 576)
Change in estimates	(212)	-	-	(212)
Interest expenses	1 736	-	-	1 736
<b>As at 31 December 2023</b>	<b>16 702</b>	<b>2 320</b>	<b>26 387</b>	<b>45 409</b>
Current	-	-	26 387	26 387
Non-current	16 702	2 320	-	19 022

### Decommissioning liabilities

As at 31 December 2023, the Company recognised a provision of 16,702 thousand UAH (as at 31 December 2022, UAH 12,526 thousand) for future decommissioning costs associated with its network equipment installed on leased sites. The amount of the reserve for the removal of assets from operation was calculated based on the following assumptions:

	Assumptions used as at 31 December 2023	Assumptions used as at 31 December 2022
Cost of dismantling per site, UAH	79 879	67 034
Discount rate	18.53%	18.24%
Inflation rate	5%	5%

As at 31 December 2023, the 1% decrease in the discount rate would increase the provision by UAH 4,834 thousand (1% increase in the discount rate would decrease the provision by UAH 3,721 thousand). As at 31 December 2022, the 1% decrease in the discount rate would increase the provision by UAH 3,636 thousand (1% increase in the discount rate would decrease the provision by UAH 2,797 thousand).

The Company uses a term of 30 years for calculating the decommissioning reserve, which the management believes represents the minimum lifespan of the technology for the placement of transmission equipment.

Sensitivity analysis of the decommissioning reserve based on the term is presented below. The table shows the carrying amount of the reserve that would be recognised with an increase/decrease in the term by +10/-10 years:

	Assumptions used as at 31 December 2023	Assumptions used as at 31 December 2022
Decrease -10 years	56 117	41 130
Increase +10 years	4 971	3 815

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### 17. Other liabilities

As at 31 December other current liabilities consist of the following:

	31 December 2023	31 December 2022
Lease liability (Note 9)	437 301	356 491
Financial aid received (Note 7)	-	450 664
Other current liabilities	594	-
<b>Total financial liabilities at amortised cost</b>	<b>437 895</b>	<b>807 155</b>

As at 31 December 2023 and 31 December 2022, other current liabilities are interest-free.

As at 31 December 2023, other long-term liabilities include UAH 1,406,231 thousand representing the long-term portion of the lease liability (as at 31 December 2022, UAH 1,309,561 thousand).

### 18. Revenue from sales and other operating income

	2023	2022
Revenue from rent	1 968 825	1 120 628
<b>Total</b>	<b>1 968 825</b>	<b>1 120 628</b>

Revenue from rent amounted to UAH 1,817,628 thousand for 2023 and UAH 1,106,914 thousand for 2022. This revenue was received from operations with one related party (see Note 7).

Future minimum expected rental income under contracts, including extensions, as of December 31, had the following appearance:

	2023	2022
Up to one year	2 001 907	1 591 991
1-2 years	2 001 907	1 591 991
2-3 years	2 001 907	1 591 991
3-4 years	2 001 907	1 591 991
4-5 years	1 965 428	1 591 991
More than 5 years	2 240 735	1 838 190
<b>Total</b>	<b>12 213 791</b>	<b>9 798 145</b>

Other operating income consists of net profit from foreign exchange differences in the amount of UAH 2,505 thousand and other income in the amount of UAH 40 thousand in 2023 (net profit from foreign exchange differences in the amount of UAH 8,406 thousand in 2022).

Interest income	
Finance income	
Interest expenses on loans	
Interest expenses on bank	
Interest expenses related to	
Interest expenses on other	
Finance expenses	
Total	

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**19. Operating expenses**

	<b>2023</b>	<b>2022</b>
Cost of materials and services	-	-
<b>Material expenses</b>	<b>-</b>	<b>-</b>
Salaries and wages	40 338	31 452
Bonuses to employees	14 824	20 298
Other staff costs	1 591	1 104
<b>Payroll</b>	<b>56 753</b>	<b>52 854</b>
<b>Social payments</b>	<b>11 879</b>	<b>10 799</b>
<b>Depreciation/amortisation</b>	<b>452 923</b>	<b>318 932</b>
Repair and maintenance	12 778	5 425
Electricity costs	16 112	18 790
Consulting services and services from external experts	71 758	45 170
Land and building rent under short-term contracts	3 033	3 433
Local taxes and non-reimbursable VAT	5 593	50 300
Loss from impairment of property, plant and equipment, construction in progress	-	62 590
Loss from impairment of right-of-use assets	-	75 980
Write-off of property, plant, and equipment, unfinished capital investments, intangible assets, and assets classified as held for sale	-	579
Other operating expenses	13 141	9 579
<b>Other operating expenses</b>	<b>122 415</b>	<b>271 846</b>
<b>Total</b>	<b>643 970</b>	<b>654 431</b>
Cost of sales of goods, works and services	569 409	425 200
Selling expenses	70 297	87 257
Administrative expenses	4 028	1 802
Other operating expenses	236	140 172
<b>Total</b>	<b>643 970</b>	<b>654 431</b>

The average number of employees of the Company in 2023 was 119 people (in 2022 – 106 people).

In 2022, the Company recognised impairment losses of UAH 62,590 thousand for property, plant, and equipment and UAH 75,980 thousand for right-of-use assets due to the armed aggression of the Russian Federation against Ukraine. The assets subject to impairment, comprising 100% of their carrying value, were located in temporarily uncontrolled territories of Ukraine, as well as assets at risk of significant damage, resulting in the inability to obtain economic benefits from their future use.

In 2023, the Company reduced the impairment losses for property, plant, and equipment by UAH 3,985 thousand and right-of-use assets by UAH 29,101 thousand (Note 22). The reduction in losses is associated with the de-occupation of territories and the restoration of assets and equipment.

**20. Finance income and expenses**

	<b>2023</b>	<b>2022</b>
Interest income	6 889	3 204
<b>Finance income</b>	<b>6 889</b>	<b>3 204</b>
Interest expenses on lease	(208 071)	(143 558)
Interest expenses on bank loans	-	(34 180)
Interest expenses related to the discounting of financial aid	(29 336)	(50 382)
Interest expenses on the decommissioning reserve	(1 736)	(3 070)
<b>Finance expenses</b>	<b>(239 143)</b>	<b>(231 190)</b>
<b>Total</b>	<b>(232 254)</b>	<b>(227 986)</b>

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## 21. Income tax

The Company's profits are subject to corporate profit tax in Ukraine only.

The major components of income tax expense for the years ended 31 December are:

	2023	2022
Current income tax	217 145	86 332
Deferred tax	(8 859)	(30 200)
<b>Total</b>	<b>208 286</b>	<b>56 132</b>

Reconciliations between tax expense and the product of accounting profit multiplied by the tax rate for the years ended 31 December are as follows:

	2023	2022
Accounting profit before tax	1 125 823	246 812
Income tax at actual rate (18%)	202 648	44 426
Non - deductible expenses for tax purposes	5 638	12 070
Other adjustments recognised in the period for current tax of prior periods	-	(364)
<b>Total</b>	<b>208 286</b>	<b>56 132</b>

Deferred tax assets and liabilities relate to the following items in 2023:

	31 December 2022	Recognised in profit and loss	31 December 2023
Deferred tax assets / (liability):			
Property, plant and equipment (i)	34 653	7 131	41 784
Trade and other receivables (iii)	14	810	824
Provisions (ii)	940	918	1 858
<b>Total</b>	<b>35 607</b>	<b>8 859</b>	<b>44 466</b>
<b>Net deferred tax asset / (liability)</b>	<b>35 607</b>	<b>8 859</b>	<b>44 466</b>

Deferred tax assets and liabilities relate to the following items in 2022:

	31 December 2021	Recognised in profit and loss	31 December 2022
Deferred tax assets / (liability):			
Property, plant and equipment (i)	336	34 317	34 653
Trade and other receivables (iii)	-	14	14
Provisions (ii)	-	940	940
Accumulated tax losses	5 071	(5 071)	-
<b>Total</b>	<b>5 407</b>	<b>30 200</b>	<b>35 607</b>
<b>Net deferred tax asset / (liability)</b>	<b>5 407</b>	<b>30 200</b>	<b>35 607</b>

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Temporary differences are caused by the following:

- (i). Regarding property, plant, and equipment – the differences are mainly due to differences in the methods of estimating useful life and impairment and differences in capitalization principles.
- (ii). Regarding provisions – the differences are associated with the creation of reserves for future expenses (decommissioning reserve, among others).
- (iii). Regarding Trade and other receivables – the differences are related to the creation of reserves for doubtful debts.

All tax differences will be realized in the next reporting period, except for those related to property, plant, and equipment.

## 22. Other income and expenses

Other income and expenses for 2023 and 2022 were as follows:

	2023	2022
Gain on disposal of property, plant and equipment, construction in progress, intangible assets and assets of disposal group classified as held for sale	1 590	5
Income from the recovery of right-of-use assets	29 101	-
Income from the recovery of the useful life of property, plant, and equipment, unfinished capital investments, intangible assets, and assets classified as held for sale	3 985	-
Net income from the termination of lease	2 467	190
<b>Other income</b>	<b>37 143</b>	<b>195</b>
Write-off of property, plant and equipment, construction in progress, intangible assets, and assets of disposal group classified as held for sale	(2 193)	-
Impairment of advances for property, plant and equipment	(4 273)	-
<b>Other expenses</b>	<b>(6 466)</b>	<b>-</b>
<b>Total</b>	<b>30 677</b>	<b>195</b>

## 23. Commitments and contingencies

### (i) Estimation uncertainty, related to tax risks and uncertain tax positions

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual.

Uncertain tax positions are recognized when it is probable that a tax position will not be sustained. Management performs the assessment related to the uncertain tax positions based on their interpretations of the relevant tax legislation.

For most issues on which management formed a conclusion as of the reporting date, the relevant risk that the Company's tax positions could not be sustained in the event of a challenge by the tax authorities was assessed as insignificant. For those matters where the Company assesses the risks as probable and possible, appropriate provisions have been recognized, and relevant information has been disclosed in these financial statements based on all the information available to management.

Tax authorities may conduct inspections for the financial period of three calendar years preceding the year of the inspection. In certain circumstances, the review may cover longer periods. The ultimate resolution of issues related to uncertain tax positions is not always within the Company's control and often depends on the effectiveness of legal procedures. The resolution of these matters may take, and in many cases does take, many years.

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**(ii) Legal matters**

In the ordinary course of business, the Company is a party to legal proceedings and claims. The Company has not recognized a provision, as management's assessment indicates no risk of resource outflow.

In management's opinion, potential obligations that may arise from unasserted claims or lawsuits (if any) will not have a negative impact on the Company's financial position or performance in the future exceeding the provisions recognized in this financial statement.

**(iii) Other capital and purchase of services commitments**

As at 31 December 2023, the Company had commitments for the acquisition and construction of property, plant, and equipment amounting to 18,385 thousand hryvnias and for the acquisition of services amounting to 3,646 thousand hryvnias. As at 31 December 2022, the Company had commitments for the acquisition and construction of property, plant, and equipment amounting to 7,797 thousand hryvnias and for the acquisition of services amounting to 9,161 thousand hryvnias.

**(iv) Transfer pricing**

In 2023, the Company had no controlled transactions or other transactions subject to tax control under transfer pricing regulations.

**24. Fair value of financial instruments**

As at 31 December 2023 and 31 December 2022, management assessed that the fair value of cash and cash equivalents, trade and other receivables, other current financial assets, and trade and other payables approximately equaled their carrying amounts due to the short-term nature of these instruments. The fair value estimation was based on discounted cash flows using rates determined within Level 3 of the fair value hierarchy, except for cash in banks, where Level 2 rates were applied.

**25. Financial instruments and risk management**

The Company's primary financial instruments include cash and cash equivalents, as well as other current financial assets. The Company also holds various other financial instruments, such as trade payables and receivables.

It is the Company's policy not to trade with financial instruments. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial market and aims to mitigate its potential negative impact on the Company's financial position. The Company's senior management oversees the risk management process, while financial risk-related activities are conducted in accordance with established policies and procedures. Identification, assessment, and management of financial risks are carried out in compliance with the Company's policies.

The approaches to managing each of these risks are detailed below.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk, and other price risks. The Company is not exposed to significant interest rate risk, as it generally borrows at fixed rates. Similarly, the Company is not exposed to other price risks.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to currency risk is primarily related to its operational activities (when the Company's cash balances are denominated in foreign currencies).

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The official exchange rates of foreign currencies in which the Company's financial assets and liabilities are denominated, as established by the National Bank of Ukraine for the specified dates and periods, were as follows:

	EUR
1 January 2021	34.740
Average for 2021	32.301
31 December 2021	30.923
Average for 2022	33.995
31 December 2022	38.951
Average for 2023	39.562
31 December 2023	42.208

The sensitivity analysis below shows the impact of the Company's profit before tax to changes in exchange rates (due to changes in the fair value of monetary assets and liabilities) with all other variables held constant. The sensitivity analysis was prepared based on the assumption that the proportion of foreign currency financial instruments remained constant as of December 31, 2023, and December 31, 2022, respectively.

2023	Increase/ (decrease) in %	Increase/ (decrease) of profit before tax	Increase/ (decrease) of retained earnings
Change in the EUR exchange rate	+10,00%	4 035	3 309
Change in the EUR exchange rate	-1,00%	(404)	(331)

2022	Increase/ (decrease) in %	Increase/ (decrease) of profit before tax	Increase/ (decrease) of retained earnings
Change in the EUR exchange rate	+10,00%	4 674	3 833
Change in the EUR exchange rate	-1,00%	(467)	(383)

### Liquidity risk

The Company analyses the ageing of its assets and the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments. The Company's short-term and long-term liquidity needs are funded largely through cash flow from operating activities and bank borrowings.

Below is a table showing the Company's liabilities as of December 31, 2023, by remaining contractual maturity. The amounts in the table are undiscounted cash flows under the agreements, including gross obligations for leases (before deduction of future finance charges). These undiscounted cash flows differ from the amounts shown in the balance sheet as the balance sheet amounts are based on discounted cash flows.

The maturity analysis of financial liabilities as of December 31, 2023 is presented below:

	Demand and less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Lease liabilities	142 488	350 748	1 810 683	227 836	2 531 755

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Trade and other payables	637 992	-	-	-	637 992
<b>Total</b>	<b>780 480</b>	<b>350 748</b>	<b>1 810 683</b>	<b>227 836</b>	<b>3 169 747</b>

The maturity analysis of financial liabilities as of December 31, 2022 is presented below:

	Demand and less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Reimbursable short-term financial aid	-	480 000	-	-	480 000
Lease liabilities	96 078	286 919	1 521 421	419 826	2 324 244
Trade and other payables	386 236	-	-	-	386 236
<b>Total</b>	<b>482 314</b>	<b>766 919</b>	<b>1 521 421</b>	<b>419 826</b>	<b>3 190 480</b>

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments, which potentially expose the Company to significant concentrations of credit risk, consist principally of cash in bank, short-term deposits, and trade and other receivables.

The Company's maximum credit risk exposure at 31 December comprises:

	31 December 2023	31 December 2022
Cash and cash equivalents (excluding cash on hand)	320 310	108 918
Trade and other receivables	241 491	176 105
<b>Total</b>	<b>561 801</b>	<b>285 023</b>

The Company's cash is predominantly placed with major banks located in Ukraine and known for their reliable reputation.

The Company does not require collateral for trade receivables. As of December 31, 2023, a significant portion of trade receivables consists of amounts due from companies under common control, representing 92%.

The management has developed a credit policy, and potential credit risks are constantly monitored. Risk assessment is performed for all customers whose credit exceeds a certain limit. The credit risk arising from financial transactions is minimized by diversifying, choosing counterparties with high credit ratings, and setting limits on the total credit risk for each counterparty. The Company's credit risk is monitored and analyzed on a case-by-case basis, and management believes that the credit risk is adequately reflected in the provisions for impairment losses on assets.

### 25. Events after the reporting period

The following events occurred during the reporting period:

During the 11 months of construction works over the same period, capital

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## 26. Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Company's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Borrowin gs	Financial aids	Lease liabilities	Total
<b>Liabilities from financing activities at 1 January 2022</b>	<b>697 954</b>	-	<b>1 058 040</b>	<b>1 755 994</b>
<b>Cash flows</b>				
Receipt of financial aid	-	530 000	-	530 000
Repayment of financial aid	-	(50 000)	-	(50 000)
Repayment of the principal amount of lease liabilities	-	-	(152 806)	(152 806)
Repayment of the loan	(700 000)	-	-	(700 000)
Paid interest and commissions	(32 134)	-	(143 558)	(175 692)
<b>Non-cash changes</b>				
Incoming	-	-	784 833	784 833
Outgoing	-	-	(24 015)	(24 015)
Accrued interest	34 180	50 382	143 558	228 120
Recognised in equity as part of initial recognition	-	(79 718)	-	(79 718)
<b>Liabilities from financing activities at 31 December 2022</b>	-	<b>450 664</b>	<b>1 666 052</b>	<b>2 116 716</b>
<b>Cash flows</b>				
Repayment of financial aid	-	(450 664)	-	(450 664)
Repayment of the principal amount of lease liabilities	-	-	(184 796)	(184 796)
Paid interest and commissions	-	(29 336)	(208 071)	(237 407)
<b>Non-cash changes</b>				
Incoming	-	-	387 258	387 258
Outgoing	-	-	(24 982)	(24 982)
Accrued interest	-	29 336	208 071	237 407
<b>Liabilities from financing activities at 31 December 2023</b>	-	-	<b>1 843 532</b>	<b>1 843 532</b>

## 27. Management of Capital

The Company's objective in capital management is to ensure the continued operation of the Company as a going concern, generate profit for the parent company and benefits for other stakeholders, and maintain an optimal capital structure to reduce its cost.

The Company considers its net debt and equity as the primary sources of capital. The Company's net debt consists of long-term and short-term borrowings adjusted for cash and cash equivalents and short-term deposits with maturities over 3 months (if any). The capital managed by the Company as of December 31, 2023, amounted to UAH 845,996 thousand (in 2022 – UAH 139,851 thousand).

## 28. Events after the reporting period

The following events occurred that do not require adjustments to the financial statements:

During the 11 months of 2024, the Company settled accounts payable for property, plant, and equipment and construction works owed to Kyivstar, which had arisen in 2022–2023, in the amount of UAH 421 million. During the same period, capital investments in the construction of base stations amounted to UAH 831 million.